COVER SHEET

CS200342649

S.E.C. Registration Number

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.

(Company's Full Name)

10/F NEWPORT ENTERTAINMENT & COMMERCIAL CENTRE, NEWPORT BOULEVARD, NEWPORT CYBERTOURISM ECONOMIC ZONE, PASAY CITY

(Business Address : No. Street City / Town / Province)

Bernard Than Boon Teong

Contact Person

632-908-8000

Company Telephone Number

12 31

Month *Day*

Fiscal Year

17-A

FORM TYPE

(ANNUAL REPORT AS OF DECEMBER 31, 2014)

Every Second Friday of June

Annual Meeting

N.A.

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

42*

Total No. of Stockholders

*As of February 28, 2014

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE**

1. *For the fiscal year ended* **31 December 2014**

2. *CS 200342649*
SEC Identification Number

3. *246-099-058-000*
BIR Tax Identification No.

4. **TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.**
Exact name of issuer as specified in its charter

5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization

6. *Industry Classification Code:* [ ] *(SEC Use Only)*

7. **10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City 1309**
Address of principal office

8. **(632) 908-8000**
Registrant's telephone number, including area code

9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

Title of Each Class	*Number of Shares of Stock Outstanding*
Common	**15,755,874,850**

10. *Are any or all of these securities listed on a Stock Exchange?*
Yes, the shares of common stock of the Company are listed on the Philippine Stock Exchange.

11. *Indicate by check mark whether the registrant:*

(a) *has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)*

Yes [✔] No [ ]

(b) *has been subject to such filing requirements for the past ninety (90) days.*

Yes [✔] No [ ]

12. *The aggregate market value of the voting stock held by non-affiliates of RWM, based on the closing price of its common stock of Six pesos and ninety eight centavos (P6.98) on the Philippine Stock Exchange on February 27, 2015 is P 11,034,275,764.*

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PART I BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Company

Travellers International Hotel Group, Inc. (the Company) is the developer and operator of Resorts World Manila ("RWM"), an integrated tourism resort in the Philippines. The Company was awarded one of the first licenses issued by the Philippine Amusement and Gaming Corporation (PAGCOR) in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines. In August 2009, the Company began operations at RWM, the first integrated leisure and resort property in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities.

RWM is an approximately 11.5-hectare integrated tourism resort owned by the Company that is strategically located across from the Ninoy Aquino International Airport ("NAIA") Terminal 3 ("NAIA-3") in Pasay City, Manila and approximately five kilometers away from each of NAIA Terminal 1 ("NAIA-1") and NAIA Terminal 2 ("NAIA-2") and directly linked to highways leading to Makati. RWM is a 24-hour, one-stop, world-class leisure and entertainment facility within Newport City, a mixed-use community of integrated residential condominiums, hotels, restaurants, shops and offices developed by Megaworld Corporation ("Megaworld"), an Alliance Global Group, Inc. ("AGI") subsidiary listed on the Philippine Stock Exchange ("PSE"). RWM features a themed shopping and entertainment center and three hotels – Maxims Hotel, an all-suite luxury hotel; the Marriott Hotel Manila, a five-star hotel catering to international business and leisure travelers; and the Remington Hotel, the Company's mid-range hotel.

Construction of RWM commenced in July 2008, and its gaming facilities and casino opened in August 2009, along with non-gaming features, such as the 11,534 sq. m. Newport Mall, which includes a retail mall, a 1,500 seat performing arts theater (the "Newport Performing Arts Theater") and a four-screen cinema. The Marriott Hotel Manila opened in October 2009 and offers 342 rooms and suites; Maxims Hotel opened in November 2010 and offers 172 suites and villas; and, the Remington Hotel opened in November 2011 and offers 712 rooms.

The Company has designed RWM to cater to a broad range of local and international visitors, including the following:

- Mass Market players, who represent the highest profit margin gaming segment and are generally characterized by non-rolling chip and slot machine play; Premium Mass Market players, a sub-segment of Mass Market players are characterized by table game play with relatively higher minimum bets than general Mass Market customers but relatively lower bets than VIP players; and,

- VIP players, who patronize premium gaming facilities, luxury accommodations and amenities, and are characterized by either rolling chip play or cash play and high minimum bets.

The Company is a joint venture partnership between AGI, which is listed on the PSE, and Genting Hong Kong Limited ("GHK"), a company with shares listed on The Stock Exchange of Hong Kong Limited and traded on the GlobalQuote of Singapore Exchange Securities Trading Limited. The partnership between AGI and GHK commenced in July 2008 following the Company's award of a gaming license from PAGCOR on June 2, 2008 (the "Provisional License"). Prior to the joint venture partnership, the Company was wholly-owned by AGI and held certain of its land bank intended for future hotel, restaurant, leisure park, and entertainment center projects, as well as other related businesses. The partnership combines AGI's expertise in the Philippine mixed-use township development, food and beverage ("F&B") and quick service restaurants, and GHK's international experience as an owner and operator of casino and gaming businesses, operator of passenger cruise ships and provider of cruise-related leisure, entertainment and hospitality services. GHK is affiliated with Genting Berhad and its subsidiaries and associates (the "Genting Group").

Subsidiaries and Associate

As of December 31, 2014, the Company holds interests in the following subsidiaries and associate:

	Date of Incorporation	Percentage Ownership
Subsidiaries:		
APEC Assets Limited (APEC)	February 23, 2000	100%
Brightleisure Management, Inc. (BLMI)	December 12, 2008	100%
Bright Pelican Leisure and Recreation, Inc.	September 30, 2013	100%
Deluxe Hotels and Recreation, Inc. (DHRI)	August 3, 2012	100%
Entertainment City Integrated Resorts & Leisure, Inc.	July 19, 2012	100%
FHTC Entertainment & Productions Inc. (FHTC)	February 15, 2013	100%
Golden Peak Leisure and Recreation, Inc. (GPLRI) (formerly Yellow Warbler Leisure and Recreation, Inc.)	September 30, 2013	100%
Grand Integrated Hotels and Recreation, Inc. (GIHRI)	October 19, 2011	100%
Grandservices, Inc. (GSI)	December 12, 2008	100%
Grandventure Management Services, Inc. (GVMSI)	December 16, 2008	100%
Lucky Star Hotels and Recreation, Inc. (LSHRI)	August 3, 2012	100%
Majestic Sunrise Leisure & Recreation, Inc.	November 16, 2012	100%
Netdeals, Inc.	May 25, 2012	100%
Newport Star Lifestyle, Inc. (NSLI)	August 3, 2012	100%
Royal Bayshore Hotels & Amusement, Inc.	November 16, 2012	100%
Resorts World Bayshore City, Inc. (RWBCI)	April 30, 2013	95%
Associates –		
Manila Bayshore Property Holdings, Inc.	October 14, 2011	50%

APEC owns a yacht for RWM needs. BLMI employs staff for the casino operations of the Company. GVMSI employs staff for Maxims Hotel and Remington Hotel. GSI currently employs staff for Marriott Hotel Manila. GIHRI operates the Resorts World Manila Lounge at Lucky Chinatown Mall in Manila. NSLI is the company that is targeted to house the membership cards of RWM members. DHRI is the owner of Hilton Manila. LSHRI is the owner of Sheraton Hotel Manila. FHTC houses music recording, theater productions and other entertainment activities of the Company. GPLRI is the owner of Holiday Inn Manila Newport City. RWBCI is the owner of Bayshore City Resorts World. The Company also has subsidiaries that are not operating as of December 31, 2014 which the Company intends to utilize for some of its operations in the future.

Principal Products or Services and Market

RWM, Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM comprises a casino with an aggregate area of 13,167 square meters. As of the end of 2014, RWM has 127 VIP tables, 169 mass tables, 1,868 slot machines and 210 electronic game units. RWM also features the upscale Newport Mall (90 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), Newport Cinemas (24 hours on weekends), three-storey gaming facilities, the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the GameZoo arcade, the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), an office space (which features a training academy and a 400-seat capacity call center) and hotels.

Three hotels are currently in operation at RWM - the five-star 342-room Marriott Hotel Manila, the 172-all-suites Maxims Hotel, and the mid-range 712-room Remington Hotel.

Foreign Sales

Based on the Company's rated members (those members with card swipe), the principal foreign market consistently contributing for 2014 are from Korea, China, Malaysia and Singapore. Foreign guests in Maxims Hotel come from Korea, China, Malaysia, and Singapore; guests in Remington are from the United States, Korea, Japan and Malaysia while for Marriott, majority are from the United States followed by Singapore, Australia and Malaysia.

Distribution Methods

The Company engages in direct relationship-based marketing, which is targeted at specific market segments. The marketing team focuses on market research, surveys, promotions and events that can drive visitations and convert them to returning guests. The sales team is responsible for sales revenues and channel performance. In addition, the Company advertises in many types of media both domestically and overseas, including television, radio, newspapers, magazines and billboards to promote general market awareness.

RWM uses a mix of different channels to reach the specific targets on gaming, lifestyle, and entertainment, such as:

- Direct sales - that comprises of three levels to provide clients with full service: (i) traditional sales, (ii) a business development team and (iii) in-house VIP host services.
- Indirect sales through junkets – from the well-established relationships of Genting Group, to source high-end players in different regions.
- Indirect sales through travel and tour operators – these accredited operators create group travel packages with discounts, to bring in guests in RWM as part of their itineraries, and in return, receive commissions.
- City shuttles - free, convenient, hassle-free shuttle transport for member-players and member-consumers to RWM. The key locations within Metro Manila are Eastwood, Makati, Quezon Avenue, Taguig, Parañaque, Binondo, Malate, Muntinlupa and others.

The Company uses a comprehensive membership management and customer database system. It uses Genting's Dynamic Reporting System (DRS), a fully integrated real-time table games and slots monitoring system.

New Products or Services

The Company is currently developing several new hotels and other gaming and non-gaming attractions at RWM. Phase 2 of RWM is expected to include a grand ballroom and convention center (the "Marriott Grand Ballroom"), as well as an annex to the current Marriott Manila Hotel (the "Marriott West Wing"), while Phase 3 is expected to feature two new hotels, the Hilton Manila and the Sheraton Hotel Manila, as well as an extension to Maxims Hotel. The Marriott Grand Ballroom will formally open its doors to the public in May 2015 and Marriott West Wing of Phase 2 is expected be completed by the end of 2015. Phase 3 is projected to be turned over by the end of 2017. The construction of the Hilton Manila and Sheraton Hotel Manila and the expansion of Maxims Hotel will be accompanied by an increase in both gaming and non-gaming facilities. More attractions will also be introduced and suited for the family.

Competition

The Company being the first integrated resort with world-class gaming in the Philippines, has set a benchmark in a very high and unique manner. The group competes with both Philippine and foreign owned hotels and resorts. With respect to the gaming business, competition comes from casinos operated by government and other private companies.

In particular, there are facilities already built or under construction by three developers other than the Company that have been granted provisional licenses by PAGCOR in Entertainment City, two of which have already opened. These three other licensees similarly partnered with international resorts and gaming companies – Henry Sy's SM-consortium has Melco Crown Entertainment Ltd. of billionaires James Packer and Lawrence Ho (Macau); Tiger Entertainment Resort of Kazuo Okada (Japanese); Enrique Razon's Bloomberry Resorts Corporation. In addition, Resorts World Bayshore will be developed in Entertainment City by the Company's co-Licensee, Resorts World Bayshore City, Inc. (RWBCI).

While it has the first-mover advantage, the Company continues to develop other leisure and entertainment attractions to complement its gaming business. The Company is expanding its hotel service through additional hotel brands and rooms, and its attractions as a family destination.

In addition, PAGCOR operates 12 gaming facilities across the Philippines and 34 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including seven licensed private casino operators in special economic zones ("Ecozones"). The Philippine gaming market is also comprised of other gambling competitors specializing in horse racing, cock fighting, jueteng, lotteries, sweepstakes, online gaming operators and other smaller-scale gaming operators.

Sources and Availability of Raw Materials

Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2014, the five largest suppliers - Systech Lighting & Controls Inc., RGB Ltd., Joint Venture Audio Visual Lighting Inc., Global Matrix Concept Group, and Total Data Central Solution, Inc. – accounted for 30.8% of total purchases for the year.

Customer Dependence

The Company's businesses are not dependent upon a single or a few customers or tenants, the loss of which would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

Transactions with and/or Dependence on Related Parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its related parties.. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from third parties. Intercompany transactions between and among the Company and its subsidiaries are eliminated in consolidation and thus are no longer reflected in the consolidated financial statements.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Advances granted to and obtained from subsidiaries, associates and other related parties are for working capital requirements and other related purposes. Other related parties include investees which investments are accounted for under the equity method and other entities which are owned and managed by investors/owners of the Company.

Major related party transactions have been disclosed in Note 21 to the consolidated financial statements appearing elsewhere in this report. Other than those disclosed in the consolidated financial statements, the Company has not entered into any other related party transactions.

Licenses, Trademarks, Franchises

The Company holds a PAGCOR license to operate casinos and engage in gaming activities in two sites – in Newport City (Site B) where RWM is situated, and in Entertainment City (Site A) where Bayshore City Resorts World is set to rise. The term of the license is co-terminus with PAGCOR's franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR charter.

On March 18, 2013, RWBCI entered into a deed of accession (the Deed of Accession) which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, RWBCI acceded to the rights, title, interests and obligations of the Company under the Provisional License and other relevant agreements with PAGCOR insofar as Site A (Bayshore City Resorts World) is concerned. Accordingly, PAGCOR recognized and included RWBCI as a co-licensee and co-holder of the Provisional License and other relevant agreements and key notifying party insofar as Site A (Bayshore City Resorts World) is concerned while the Company remains the licensee and holder of the Provisional License and key notifying party insofar as Site B (Resorts World Manila) is concerned.

Further, on June 10, 2013, the Company and RWBCI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and other relevant agreements. Specifically, the parties agreed that RWBCI would have all the rights and obligations under the Provisional License with respect to Site A (Bayshore City Resorts World) and that the Company would have all the rights and obligations with respect to Site B (Resorts World Manila).

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and RWBCI as co-licensees and co-holders of the Provisional License and other relevant agreements.

On 23 September 2014, the Company subscribed to common and preferred shares in RWBCI making it the effective owner of ninety five percent (95%) of RWBCI.

The Company also has a non-exclusive non-transferable right and license within Metro Manila to the use of Marriott trademarks for hotel services and other related goods and services offered in connection with the hotel.

It has registered trademarks over "Passion," "Gamezoo," "Remington Hotel Newport City," "Remington Hotel Manila," "Newport Performing Arts Theater," "Grand Opera House," "Grand Opera House Manila," "Fun Fiesta Jackpot," "Manila Millions Poker," "Mabuhay Millions Poker," "Noodle Works," "iGrab everything I want," "iGrab," "Impressions," "Café Maxims," "Mercado," "Kimchi and Mojou," "Remington Bar Lounge," "Bar 360," "Ginzadon," "Grabit," "Thrill Like No Other," "Newport Performing Arts Theater Bar," "The Terrace," "Lucky Noon," "Laff Laugh Fun," "Kami Naman ang Taya," "Musikat Records," "Oak Tree Inn," "Regal Inn," "Hotel Gran Palacio," "El Castillo de Manila," "Castillo Manila," and "The Grand Theatre of Manila", "Chill", and their related devices which will expire on various dates in 2018-2024, and are renewable thereafter.

Government Approval of Principal Products or Services

The Company operates its gaming activities through the license granted by PAGCOR, a government-owned and controlled corporation, which was granted the franchise to operate and license gaming casinos, gaming clubs and other similar recreation or amusement places, gaming pools, whether on land or sea, within the Philippines. The franchise of PAGCOR is extended for another 25 years after July 11, 2008, its original term.

The activities and operations of RWM are closely monitored by PAGCOR who maintains an office inside RWM where officials are stationed 24 hours a day. The Company is in continuous close contact with PAGCOR regarding compliance with its gaming concession and all applicable Philippine laws. The Company is also required to provide periodic reports to PAGCOR.

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Retail stores in shopping malls must secure a mayor's permit or municipal license before operating and must comply with the fire safety provisions and other applicable local ordinances. Operators of restaurants and other food establishments in shopping malls must obtain a sanitary permit from the same local government unit where the shopping mall is located.

Effect of Existing or Probable Government Regulations

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR. In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended. In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation measure (the ITA measure) whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues. The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should certain circumstances enumerated in the measure occur, in effect declaring that gaming revenues are not subject to the corporate income tax. In December 2014, the Supreme Court issued a Decision in the case of PAGCOR v. BIR, G.R. No. 215427, confirming that income from gaming operations is subject only to five percent (5%) franchise tax, in lieu of all other taxes, under P.D. 1869, as amended. With respect to PAGCOR Licensees, a similar case is still pending with the Supreme Court.

Republic Act (RA) 9160, as amended, or the Anti-Money Laundering Act of 2001 (AMLA), prohibits money laundering, a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. A "covered transaction" under the AMLA refers to a transaction in cash or other equivalent monetary instrument involving a total amount in excess of P500,000 within one banking day. Covered institutions must report all transactions to the Anti-Money Laundering Council within five working days of occurrence, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days. Penalties include fines of not less than P100,000 and imprisonment ranging from nine months to fourteen years, depending on the money laundering committed. As of writing, casinos and all other activities of Travellers, are not covered by AMLA.

Travellers is registered with PEZA as a Tourism Economic Zone for Maxims Hotel and Newport Entertainment and Commercial Center, Marriott Hotel Manila, Remington Hotel, Marriott Grand Ballroom, Marriott West Wing, and Maxims II. As such, Travellers is entitled to certain tax incentives.

Research and Development

The regular research and development activities of the Company for the past three years have not amounted to a significant percentage of revenues. There are no new products or design being developed that would require a material amount of the Company's resources.

Compliance with Environmental Laws

The Company and its subsidiaries have incurred minimal costs to comply with environmental laws.

Number of Employees

As of December 31, 2014, the Group has a total workforce of 4,750 personnel categorized as follows:

	Actual as of December 31, 2014	Projected Headcount as at December 31, 2015
Gaming	3,057	3,411
Management & Admin	744	819
Hotel	422	443
F&B	427	494
Marketing	100	114
TOTAL	**4,750**	**5,281**

There is no existing collective bargaining agreement between the Company and any of its employees, and the Company's employees are not part of any labor union. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes, and management believes that the Company's relationship with its employees in general is satisfactory.

Potential Business Risks

Risks are integral part of business. Opportunity for advancement cannot be achieved without taking risks. This is why the Company and its subsidiaries adopted a policy whereby risks are identified before they cause significant trouble for the business. They carefully prepare structured/strategic plans to anticipate the inherent risks in their activities and set up methods to mitigate the effects of these risks. Risks are prioritized based on their impact to business, and probability of occurrence. There is a monitoring system that keeps track of the indicators and the actions/corrections undertaken. Feedbacks, both internal and external, are important for current and emerging risks.

The Company's risk management is coordinated with the Board of Directors (BOD) and focuses on actively securing short-to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes.

The potential risks that the present business faces include:

- *Hazards and natural or other catastrophes*. The Company and its subsidiaries' assets are always exposed to losses or impairment through fire and natural or man-made disasters and accidents that may materially disrupt operations and result in losses. In particular, damage to the Company's project structures resulting from such natural catastrophes could also give rise to claims from third parties or for physical injuries or loss of property.

  Safety precautionary measures have been undertaken and installed within the operating system. Adequate insurance policies are likewise taken to cover from these risks. Any material uninsured loss or loss materially in excess of insured limits could materially and adversely affect the Company's business, financial condition and results of operations, while remaining liable for any financial obligations related to the business.
  :

- *Regulatory developments*. The Philippine integrated tourism industry is highly regulated. The Company is subject to gaming regulations for its casino operations. The Company's results of operations could be affected by the nature and extent of any new legislation, interpretation or regulations, including the relative time and cost involved in procuring approvals for projects. If the Company fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Philippine Government (the Government), which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations. The Company, thus, keeps abreast of current happenings and immediately institute measures to contain any adverse effect on the Company.

- *Money laundering and cheating at gaming areas*. Casino and gaming activities are cash intensive and involve significant amounts of revenue daily. Customers may seek to influence their gaming returns through cheating or other fraudulent methods. Fraudulent activities, including collusion and automated play, could cause the Company and its customers to experience losses, harm its reputation and ability to attract customers, and materially and adversely affect its business, goodwill, financial condition and results of operations. The Company takes numerous preventive and mitigating measures for the handling of chips, cash and gaming equipment. It uses special technologies to prevent and detect potential fraudulent and counterfeiting activities as well as high value and suspicious transactions.

- *Supply of raw materials*. As the Company currently has significant ongoing expansion and construction projects within the Newport area, the Company sources construction materials such as lumber, steel and cement and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in construction costs. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.

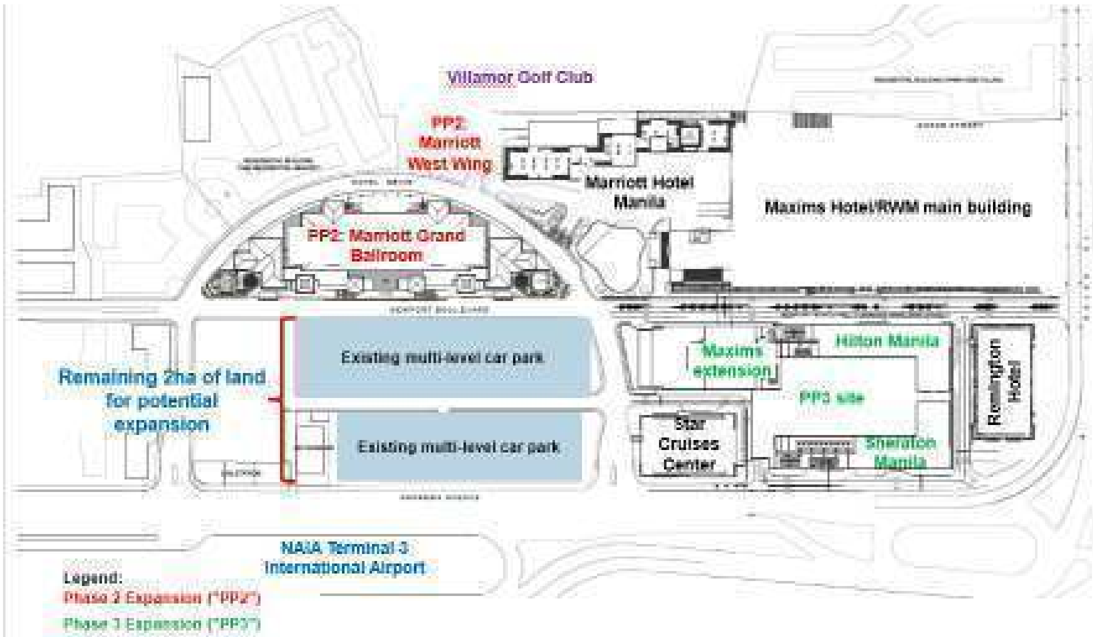
- *Competition*. The Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than the Company, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins.

- *Philippine economic/political conditions*. The Company's business are highly dependent on the Philippine economy. The Company's results of operations are expected to vary from period to period in accordance with fluctuations in the Philippine economy which is in turn influenced by a variety of factors, including political developments among others. Political instability in the Philippines could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material impact on the Company's business, financial condition and results of operation. While the Philippine economy has generally registered positive economic growth there can be no assurance that current or future Government will adopt economic policies conducive to sustaining economic growth.

A further discussion on financial risk management objectives and policies is presented in the notes to the consolidated financial statements.

Item 2. Properties

The following site map details the principal properties owned or leased by the Company, including those reserved for future developments as of December 31, 2014.



Item 3. Legal Proceedings

There are no material litigations or claims pending or, to the best knowledge of the Company, threatened against the Company or any of its subsidiaries or associates or any of their properties that would adversely affect the business or financial position of the Company or any of its subsidiaries or associates.

Item 4. Submission of Matters to a Vote of Security Holders

On 27 February 2014, the stockholders of the Company owning at least two-thirds (2/3) of the outstanding capital stock approved the proposed amendment to the Company's Articles of Incorporation in relation to the deletion of the convertibility feature of the preferred B shares.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Price Information

The common shares of the Company are traded on the PSE under the symbol of RWM. The Company's common stock was first listed on the PSE on November 5, 2013. The trading prices of the Company's common shares as reported on the PSE for the last trading day of 2014 and in subsequent trading day in 2015 are set forth below.

Year		Trading Price
2015	High	7.00
	Low	6.97
	Close	6.98
2014	High	8.25
	Low	7.94
	Close	8.20

Notes:

1. 2015 is as of 27-Feb.
2. 2014 is as of 29-Dec.

Shareholders

As of December 31, 2014, the Company had 42 shareholders, including nominees, holding 15,755,874,850 common shares. The following table from Banco de Oro, Stock and Transfer Agent of the Company, sets forth the twenty largest common shareholders of the Company as of December 31, 2014.

Rank	*Stockholder*	*No. of Shares Held*	*Per Cent to Total*
1	Alliance Global Group, Inc.	3,957,112,838	24.781
2	Adams Properties Inc.	3,539,750,000	22.167
3	Star Cruises Philippines Holdings B. V.	2,831,799,980	17.734
4	Asian Travellers Ltd.	1,784,034,000	11.172
5	Premium Travellers Ltd.	1,047,766,000	6.562
6	PCD Nominee Corp. (Non-Filipino)	966,313,092	6.051
7	First Centro Inc.	707,949,970	4.433
8	PCD Nominee Corp. (Filipino)	613,736,757	3.843
9	Megaworld Corporation	290,587,162	1.820
10	The Andresons Group, Inc.	10,000,000	0.063
11	The Andresons Group, Inc.	4,000,000	0.025
12	Bingson U. Tecson	889,000	0.006
13	Brent Vincent T. Tecson	889,000	0.006
14	Lutgardo V. Cruz	886,500	0.006
15	Western Guaranty Corporation	50,000	Nil
16	Sidney Go Tongco	40,000	Nil
17	Araceli Go Tongco	20,000	Nil
18	Henry Lim Go, Jr.	10,000	Nil
19	John T. Lao	10,000	Nil
20	Feliciano F. Jorge, Jr.	3,300	Nil

Update on Tax Issues

In April 2013, the Bureau of Internal Revenue (BIR) issued RMC No. 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues. The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should certain circumstances enumerated in the measure occur, in effect declaring that gaming revenues are not subject to the corporate income tax.

In December 2014, the Supreme Court issued a Decision in the case of PAGCOR v. BIR, G.R. No. 215427, upholding Section 13(2)(a) of P.D. 1869, as amended, in respect to gaming income being subject only to 5% Franchise Tax in lieu of all taxes of any kind or form, income or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local. With respect to PAGCOR Licensees, a similar case is still pending with the Supreme Court. Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in PAGCOR v. BIR, G.R. No. 215427 that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the ITA measure [see Notes 3.1(e), 21.2 and 24.4(e)].

Dividends in the Two Most Recent Years and Subsequent Interim Period

The Company is authorized under Philippine law to declare dividends, subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares. Dividends paid in cash are subject to the approval by the BOD. Dividends paid in the form of additional shares are subject to approval by both the BOD and at least two-thirds of the outstanding share capital of the shareholders at a shareholders' meeting called for such purpose.

On May 24, 2013, the Company's BOD approved the declaration of a cash dividend of P6.14 billion to holders of the Company's common shares of record as of March 31, 2013, which was paid on various dates in August 2013.

On September 30, 2013, the Company's BOD approved the declaration of another cash dividend of P1.30 billion to holders of the Company's common shares of record as of July 31, 2013, based on the Company's total retained earnings of P10.16 billion as of June 30, 2013. The holders of the Company's preferred shares waived their rights to participate in any dividend at this time. No dividend was declared in 2014.

The Company intends to maintain an annual cash and/or share dividend pay-out of up to 20.0 percent of its net profit from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Dividends must be approved by the BOD and may be declared only from the unrestricted retained earnings of the Company. The Company's BOD may, at any time, modify the Company's dividend policy, depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects.

As of December 31, 2014, the Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods. The Company also has P6.3 billion unrestricted retained earnings available for dividend distribution.

Item 6. Management's Discussion and Analysis

A) Key Performance Indicators

Presented below are the key performance indicators of the Company for years ending December 31, 2014 and 2013:

In Million Pesos	**2014**	**2013**
NET REVENUES	29,060.3	30,848.0
NET PROFIT	5,445.1	2,739.5
NET PROFIT MARGIN,%	18.7%	8.9%
EBITDA	7,914.1	6,717.7
EBITDA MARGIN,%	27.2%	21.8%
TOTAL ASSETS	63,881.5	61,225.7
CURRENT ASSETS	23,078.9	29,471.7
CURRENT LIABILITIES	10,218.8	10,382.7
TOTAL DEBT	13,426.0	17,667.0
NET CASH/(DEBT)	4,430.4	8,108.5
Net Revenue Growth	-5.8%	4.8%
EBITDA Growth	17.8%	-26.7%
Net Profit Growth	98.8%	-59.3%

B) Discussion and Analysis of Operations

B.1. Results of Operations for the year ended December 31, 2014 versus 2013

In Million Pesos	**2014**	**2013**	**YOY Change %**
Net Revenues	29,060.3	30,848.0	-5.8%
Gaming	28,376.7	30,003.6	-5.4%
Hotel, F&B	2,264.2	2,502.5	-9.5%
Other Income	922.4	875.6	5.3%
Promo Allowance	(2,503.0)	(2,533.6)	-1.2%
Gross Profit	18,305.1	18,740.3	-2.3%
Operating Profit	6,397.4	4,617.2	38.6%
Net Profit	5,445.1	2,739.5	98.8%
EBITDA	7,914.1	6,717.7	17.8%

The Company focused on growing core markets in 2014, particularly in the segments of Mass, and locally developed VIP market for the domestic and overseas market. This included a deliberate move to reduce the number of tournaments. This was coupled with operating efficiencies which had the costs in check. In the end, even with a slight decline in Revenues, the Company ended with a very healthy growth in both the EBITDA and Net income numbers.

Net Revenues

Net Revenues declined by 5.8% as a result of lower Gross Gaming Revenue and lower contribution from Hotel, and F&B

Gaming Revenues

Gross Gaming Revenue for the full year 2014 is at P28,376.7mil, 5.4% behind the P30,003.6mil it registered for the same period in 2013. The decline in gaming revenue is a function of the decline in volume, particularly in the VIP segment as there was a deliberate move in holding less tournaments and focus on growing the core customer base.

This was evident in the Drops volume for the Company's mass segment which expanded by 5.1% or P6,914.6mil more than 2013 while the VIP segment contracted by 7.4%.

On the other hand, the Company's win rate improved towards the second half of the year, with a blended rate of 4.5% compared to the 3.9% registered in the first half of 2014. The VIP segment improved to 2.9% in the second half 2014 from 2.2% in the first half.

The table below presents key operating summary of the casino and gaming facilities: (For the Six Months ending June 30 and December 31 and the full year ending December 31)

Gaming Metrics	Six Months Ended		FY 2014	Six Months Ended		FY 2013
	Jun 2014	Dec 2014		Jun 2013	Dec 2013	
Operating Days	181.0	184.0	365.0	181.0	184.0	365.0
Ave Daily Property Visitation	18,698.0	19,350.0	19,026.0	18,542.0	19,111.0	17,693.0
Average Gaming Units						
VIP Tables	120.0	124.0	122.0	118.0	116.0	117.0
Mass Tables	168.0	169.0	169.0	168.0	167.0	167.0
Slots	1,847.0	1,826.0	1,837.0	1,712.0	1,773.0	1,743.0
ETG	210.0	210.0	210.0	100.0	177.0	138.0
Gaming Units (as of Period end)						
VIP Tables	121.0	127.0	127.0	113.0	119.0	119.0
Mass Tables	169.0	169.0	169.0	168.0	168.0	168.0
Slots	1,828.0	1,868.0	1,868.0	1,737.0	1,822.0	1,822.0
ETG	210.0	210.0	210.0	100.0	210.0	210.0
Drop Volume (P'M)						
Total Drop	349,718.2	330,942.7	680,660.9	335,018.8	381,749.0	716,767.7
VIP Tables	280,048.1	258,457.5	538,505.6	267,208.6	314,318.5	581,527.1
Mass Tables	12,220.9	12,327.7	24,548.6	11,233.6	12,295.2	23,528.9
Slots	56,814.1	59,455.5	116,269.6	56,130.7	54,538.6	110,669.4
ETG	635.1	701.9	1,337.0	445.8	596.6	1,042.4
Win Rate, %						
Blended Win Rate	3.9%	4.5%	4.2%	5.2%	3.3%	4.2%
VIP Tables	2.2%	2.9%	2.5%	3.7%	1.6%	2.6%
Mass Tables	24.9%	24.8%	24.9%	26.5%	25.6%	26.0%
Slots	7.3%	7.1%	7.2%	7.7%	7.6%	7.7%
ETG	23.2%	22.7%	23.0%	23.6%	22.1%	22.7%

Hotel, Food, Beverage & Others

Revenue from hotel, food, beverage and others is down by 9.5% from P2,502.5mil in 2013 to P2,264.2mil in 2014 as the Company made use its facilities and services to support its gaming business.

All hotels registered higher occupancy in 2014 with occupancy rate of Maxims at 89% (vs 78% in 2013), Remington at 91% (vs 65% in 2013) and Marriott at 83% (vs 81% in 2013).

Complimentary and promo rooms for Maxims account for 62% of 2014 occupancy versus 34% in 2013. For Remington, complimentary and promo rooms account for 52% of occupancy in 2014 compared to 46% in 2013.

Similarly, Food and Beverage covers increased by 3.7% from 5.78mil in 2013 to 5.99mil in 2014 with 64% of covers in 2014 used for complimentary purposes compared to 56% in 2013.

Other Operating Income

Other Operating income in 2014 grew to P922.4mil or by 5.4% compared to P875.6mil in 2013. Other Operating income primarily consists of income from Newport Performing Arts Theater, rental income for the mall and commercial office space rentals, income from cinema, laundry, spa and others.

The retail and F&B tenant space now number 90, with 100% occupancy.

Promotional Allowances

Promotional Allowances in 2014 is at P2,503.0mil, relatively flat from P2,533.6mil in 2013. Promotional allowance refers to the relative fair value of points earned by loyalty card members, revenue share and prize money for tournaments.

Gross Profit

Gross Profit for the period ending December 31, 2014 is at P18,305.1mil

Direct Costs

Directs Costs improved by P1,352.5mil or 11.2% to P10,755.2mil for the year ended December 31, 2014 from P12,107.7mil for the same period in 2013. Direct Costs consist of costs associated directly with gaming revenues and costs directly associated with hotel, food, beverage and others such as depreciation.

The improvement in Direct Costs came primarily from lower Gaming license fee as a result of lower Gross Gaming Revenue and the operating efficiency gains from the various cost management initiatives instituted by the Company since the second half of 2013.

Gaming License fees which is 25% or 15% of Gross Gaming Revenue in accordance with the Provisional License is at P6,203.2mil for the year ended 2014 from P6,506.2mil for year ended 2013. (*With the PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure effective April 1, 2014, up to 10% of the Gross Gaming Revenue is allocated for corporate income tax purposes which amounts to PhP 2,113 million. Management is of the opinion that with the December 2014 Supreme Court (SC) Decision in the case of PAGCOR v. BIR, G.R. No. 215427, unequivocally confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under Presidential Decree (P.D.) No. 1869, as amended, otherwise known as the PAGCOR Charter, the SC will positively resolve a similar case filed on behalf of a PAGCOR licensee pending with the SC. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with pars. (b) and/or (c) of the ITA measure.)*

Labor cost related to the delivery of services is at P2,114.2mil for year ended December 31, 2014 which is relatively flat compared to the P2,115.7mil it registered during the same period In 2013.

Other Direct Costs such as Depreciation, Entertainment and Miscellaneous are at P1,431.0mil in 2014 or 42.2% lower compared to 2013.

General & Administrative Expenses

Due to initiatives capitalizing on operating leverages, General and Administrative expenses is at P11,907.8mil for the year ended December 31, 2014, representing a decline of P2,215.4mil or 15.7% from P14,123.1mil for the year ended December 31, 2013.

General Marketing for the year ended December 31, 2014 is at P6,619.3mil, lower by 17.8% or P1,431.7mil compared to the year ended December 31, 2013. General Marketing expenses include commissions paid to gaming promoters and rebates paid to VIP patrons which stands at P5,796.2mil in 2014 compared to P6,638.9mil in 2013.

Salaries, wages and benefits of Shared employees is at P1,083.8mil for period ended December 31, 2014 or 20.8% lower compared to same period in 2013.

Operating Profit

Operating Profit grew to P6,397.4mil or 38.6% as a result of lower General Administrative expenses.

Finance Costs & Finance Income

The Company booked a total of P1,026.7mil in Finance cost for the year ended December 31, 2014, a decline of P1,010.1mil or 49.6% versus similar period in 2013.

The decline is primarily due to the payment of interest bearing loans amounting to P4,354.8mil during the first half of 2014 with the finance cost incurred in 2014 mostly for the outstanding Company issued Bonds amounting to USD300.0mil.

Profit Before Tax

Profit before tax for year ended December 31, 2014 is P5,520.6mil from P2,806.2mil it registered during the same period in 2013..

Net Profit

Net Profit for the year ended December 31, 2014 is at P5,445.1mil, a growth of P2,705.6mil or 98.8% over the same period in 2013.

EBITDA

Travellers posted an EBITDA of P7,914.1mil for the period ending December 31, 2014, on a like-for-like treatment of tax in 2013 at 25%/15%, or an improvement of P1,196.4 or 17.8% over the same period in 2013. (See Notes on Direct Cost and Tax Related Matters) Depreciation is at P1,516.7mil which is lower by P583.8mil compared to December 31, 2015 due to the change in the useful life of certain assets in 2014.

In Million Pesos	**2014**	**2013**
Operating Profit	6,397.4	4,617.2
Depreciation	1,516.7	2,100.5
EBITDA	7,914.1	6,717.7

B.2. Liquidity and Capital Resources

Assets

Total Assets expanded to P63,881.5mil for year ended December 31, 2014 from P61,225.7mil for the year ended December 31, 2013.

Current Assets

Cash and Cash Equivalents declined to P17,856.4mil for the year ended December 31, 2014 from P25,775.5mil for the same period in 2013. The decline is attributed to the payment of the company's outstanding interest bearing loans during the first half of the year as well as the advance payments made in September 2014 to develop site A of the Entertainment City Project.

Trade and other receivables expanded by P1,235.4mil in 2014 from the P3,043.3mil at the beginning of the year primarily due to the increase in the downpayment to suppliers.

Inventories stand at P77.1mil for the period ending December 31, 2014 down by 62.8% or P130.2mil for the same period in 2013.

Advances to related parties declined to P159.9mil from P160.7mil for the year ended December 31, 2014.

Prepayments and other Current assets increased by P421.9mil or 148.1% to end 2014 at P706.9mil. Prepayments and other Current assets consist of investments in time deposits that are made for a period of 360 days and prepaid taxes, insurances and rentals.

Non-Current Assets

Property, Plant and equipment grew by P4,499.6mil or 15.4% from the P29,200.6mil it registered at the end of December 31, 2014. The increase in Non-Current Assets predominantly is in line with the construction progress of Phases 2 and 3 projects. Total spent for Phases 2 and 3 as of December 31, 2014 is at P8,294.8mil and P2,884.1mil, respectively.

Phase 2 is the expansion of the existing Marriott Hotel Manila with the Marriott Grand Ballroom as well as the additional rooms through the Marriott West Wing. Marriott Grand Ballroom will formally open its doors to the public in May 2015, even as it will have a soft opening in April. Marriott West Wing is scheduled for turnover by the end 2015.

Phase 3 is to comprise two new hotels – the Hilton Manila and the Sheraton Hotel Manila, as well as an extension of Maxims Hotel. Phase 3 shall also include a new gaming area, additional retail space and six basement parking decks. The entire Phase 3 is scheduled to be turned over by the end of 2017.

Current Liabilities

The Company paid off its Interest bearing loans and borrowings maturing within one year with an amount equivalent to P1,603.3mil in order to maximize the use of its cash.

Trade and other payables increased by P990.2mil from P7,312.5mil at beginning of the year to end at P8,300.2mil. This represents trade payable to suppliers, retention payable to contractors, liability of unredeemed gaming points, and unredeemed gaming chips.

The Company has no outstanding Dividends Payable for the period ending December 31, 2014.

Advances from related parties increased to P1,913.3mil or 1081.3% from the P162.0mil it registered at the end of December 31, 2013. The increase is largely due to the advances obtained from a related party for the development of the Entertainment City Project.

Non-Current Liabilities

The Company also paid off majority of its loan with a tenor of more than one year, leaving the company with an outstanding non-current interest bearing loan of P216.9mil for the period ending December 31, 2014 from P2,968.5mil at the beginning of the year.

Bonds Payable is at P13,209.1mil, which represents the outstanding USD 300Million bond, for the year ended December 31, 2014, a slight increase of 0.87% or P113.8mil because of the weaker Philippine currency. The foreign exchange rate used in the valuation of the Company issued USD300.0mil notes for the period ending December 31, 2014 is at P44.617 compared to the P44.414 for the same period in 2013.

The Company's Derivative liability is at P869.8mil for period ended December 31, 2014 or P276.1mil lower compared to similar period in 2013 as a result of payment made during the year.

Other Non-Current Liability grew to P146.7mil from P121.8mil.

Net Cash/(Debt)

Travellers remains to be in Net Cash Position amounting to P4,430.4mil as of year ended December 31, 2014 as illustrated below:

In Million Pesos	**2014**	**2013**
Total Cash	17,856.4	25,775.5
Total Debt	13,426.0	17,667.0
Net Cash/(Debt)	4,430.4	8,108.5

Note: Total Debt covers interest-bearing loans and borrowings and note payable

Equity

The Company has a total Equity of P39,101.3mil for the period ended December 31, 2014 compared to the P33,427.8mil during the same period in 2013. The P5,445.1mil or 17.0% increase is primarily due to the Company's increase in Retained Earnings from P9,288.5mil as of year ended December 31, 2013 to P14,733.4mil for the same period in 2014.

Tax Related Matters

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR (see Note 21.2). In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should any of the following circumstances occur:

(a) The BIR ceases to impose income tax on the licensees, or deletes the provision of RMC 33-2013 which imposes income tax on licensees;

(b) A court restrains or enjoins the BIR from implementing the provisions of RMC 33-2013 which imposes income tax on licensees, during the effectivity of such restraining order or injunction. In the event the court withdraws the temporary restraining order (TRO), or if the TRO expires and is not extended, the 10% ITA shall automatically be reinstated;

(c) A court, by final and executory judgment, nullifies the provision of RMC 33-2013 which imposes income tax on the licensees;

(d) The Philippine Congress amends or revokes the imposition of corporate income tax on PAGCOR and its licensees; or,

(e) Recognition of Entertainment City as a special economic and/or tourism zone with special fiscal incentives for its locators resulting in the same effect as paragraph (d) above.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues, while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government.

In December 2014, the Supreme Court (SC) issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under Presidential Decree (P.D.) No. 1869, as amended, otherwise known as the *PAGCOR Charter*. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as of the audit report date.

Management is of the opinion that the similar case pending with the SC will result to a positive outcome, considering the unequivocal Supreme Court declaration in the PAGCOR v. BIR case that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with pars. (b) and/or (c) of the ITA measure above.

Prospects for the Future

Travellers is on track with its expansion projects, which will have significant contribution to the Company's revenues when they start operations. In the meantime, the Company continues to focus on attracting customers from various segments to its property and is confident in its ability to deliver sustainable growth, operating efficiencies, capitalizing on the strong and positive economy. Travellers remains vigilant on delivering its business goals and intends to continue to adopt prudent measures to ensure financial sustainability.

Item 7. Financial Statements

The audited consolidated financial statements meeting the requirements of Securities Regulation Code (SRC) Rule 68, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached hereto as Exhibit 1 and incorporated herein by reference.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS), on the historical cost basis except for the measurement of certain financial assets and financial liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

Item 8. Information on Independent Accountant and Other Related Maters

Audit and audit-related services

In compliance with Securities and Exchange Commission (SEC) Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, Mr. Nelson J. Dinio of Punongbayan and Araullo (P&A) was designated as handling partner for the audit of the financial statements of the Company starting the year ended December 31, 2011. P&A was also the auditor of the Company for 2010 and 2009.

Tax fees and all other fees

There were no separate tax fees billed and no other products and services provided by P&A to Travellers for the last two fiscal years.

Changes in and disagreements with accountants on accounting and financial disclosure

P&A, as principal auditors, issued an unqualified opinion on the consolidated financial statements. There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Senior Management

The overall management and supervision of the Company is undertaken by the Company's Board of Directors (the Board or BOD). The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's Articles of Incorporation as amended on May 30, 2013, the Board shall consist of seven members, of which two are independent directors. All of the directors were elected at the Company's annual shareholders meeting on June 13, 2014 and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of December 31, 2014.

Name	Age	Nationality	Position
Chua Ming Huat	52	Malaysian	Chairman and Director
Kingson U. Sian	54	Filipino	President, Chief Executive Officer and Director
Dr. Andrew L. Tan	66	Filipino	Director
Tan Sri Lim Kok Thay	63	Malaysian	Director
Jose Alvaro D. Rubio	62	Filipino	Director
Laurito E. Serrano	54	Filipino	Independent Director
Enrique M. Soriano III	47	Filipino	Independent Director

The table below sets forth Travellers' executive officers in addition to its executive directors listed above as of December 31, 2014.

Name	Age	Nationality	Position
Stephen James Reilly(1)	49	British	Chief Operating Officer
Bernard Than Boon Teong(1)	44	Malaysian	Chief Financial Officer
M. Hakan Dagtas(1)	46	Turkish	Chief Gaming Operations Officer
Eric Yaw Chee Cheow(3)	45	Malaysian	Chief Business Development Officer
Patricia May T. Siy	54	Filipino	Chief Corporate Planning Officer
Ma. Georgina A. Alvarez	44	Filipino	Chief Legal Officer and Assistant Corporate Secretary
Stanley Chee (1)	54	Malaysian	Chief Surveillance & Systems Officer

Ravi D. Ganesan(1)	48	Malaysian	Chief Gaming Training & Development Officer
Armeen Basister Gomez	39	Filipino	Chief Safety & Security Officer
Randy Reyes	41	Filipino	Chief Technology Officer
Allan Martin L. Paz	43	Filipino	Chief Integrated Marketing Officer
W. Scott Sibley(2)	53	American	Chief Hotel Operations Officer
Jeffrey Rodrigo Lim Evora	45	American	Senior Director for Gaming Events & Promotions
Mary Ann E. Moreno	46	Filipino	Senior Director for Gaming Treasury
Carlito B. Banaag	50	Filipino	Director for Audit & Risk Management

(1) Engaged as consultants pursuant to an operations and management agreement between Star Cruises Hong Kong Management Services (Philippines), Inc and the Company.
(2) Engaged under Grandventure Management Services, Inc.
(3) Engaged under Brightleisure Management, Inc.

The business experience for the past five years of each of our directors and key executive officers is set forth below.

Chua Ming Huat
Director and Chairman

Mr. David Chua Ming Huat was appointed Chairman and Chief Executive Officer of the Company in 2008. In October 2014, Mr. David Chua Ming Huat ceased the position Chief Executive Officer. He was the former President of Genting Hong Kong Limited (GHK) and was also a director of Norwegian Cruise Line Holdings Ltd., a company listed on the NASDAQ Global Select Market. Prior to that, he held key management positions in various international securities companies in Malaysia, Singapore and Hong Kong with extensive knowledge in the management of securities, futures and derivatives trading, asset and unit trust management, corporate finance and corporate advisory business. He was a director and member of the Listing Committee of the MESDAQ market of Bursa Malaysia Securities Berhad. He has a Bachelor of Arts degree in Political Science and Economics from the Carleton University in Ottawa, Canada.

Kingson U. Sian
Director, President and Chief Executive Officer

Mr. Kingson Uy Shiok Sian was promoted to Chief Executive Officer in October 2014. He was appointed Director and President of the Company in 2008. Mr. Sian has also been President and Director of AGI since February 2007. He is currently a member and executive director of Megaworld Corporation. Mr. Sian is concurrently Director and President of Forbes Town Properties & Holdings, Inc. and also Chairman and President of Prestige Hotels & Resorts, Inc.. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics and has a Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Dr. Andrew L. Tan
Director

Dr. Andrew L. Tan was appointed a Director of the Company in 2008. He has broad experience in the real estate, tourism, distillery, consumer products marketing and quick service restaurant businesses. Among the positions previously and currently held by Dr. Tan are: Chairman and CEO of AGI, Global-Estate Resorts, Inc. and Megaworld Corporation; Chairman of Empire East Land Holdings, Inc., Suntrust Properties, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc. and Megaworld Foundation, Inc.; Vice Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation.
Dr. Tan graduated magna cum laude from the University of the East with a Bachelor of Science degree in Business Administration. In 2011, Dr. Tan was conferred by the University of the East the Degree of Doctor of Humanities, honoris causa.

Tan Sri Lim Kok Thay
Director

Tan Sri Lim Kok Thay was appointed a Director of the Company in 2009. Tan Sri Lim spearheads the Genting Group, a Malaysian based conglomerate and one of the most dynamic companies in this region. Since his appointment as Chairman and Chief Executive of Genting Berhad in December 2003, he has expanded the Genting Group's presence globally and his commitment to excellence, innovation and growth has resulted in the birth of premier global leisure brands. This includes Resorts World Genting, the Genting Group's prime leisure brand in Malaysia, the Burswood International Resort & Casino in Perth and the Adelaide Casino in South Australia, Lucayan Beach Resort & Casino in the Bahamas and the Subic Bay Resort & Casino in the Philippines.

Today, Genting Group affiliate Genting UK Plc is the largest casino operator in the UK with over 40 casinos. In 2006, Tan Sri Lim led the development of Resorts World Sentosa, an integrated resort on Sentosa Island in Singapore. Tan Sri Lim pioneered the Asian cruise industry by founding Star Cruises in the 1990s. He recently expanded Star Cruises' focus from sea to land-based operations. As an entrepreneur, Tan Sri Lim focuses on innovation, re-invention and redefining the leisure and hospitality industry. He has led the Genting Group to develop prominent consumer brands in the leisure and hospitality sector, such as "Resorts World," "Maxims," "Crockfords," "Awana," "Star Cruises" and "Norwegian Cruise Line."

Jose Alvaro D. Rubio
Director

Mr. Jose Alvaro D. Rubio was appointed Director of the Company in 2009. Mr. Rubio was Senior Vice President at Philippine National Bank ("PNB") and has over 35 years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks. Mr. Rubio has a Bachelor of Science in Business Administration in Accounting from the University of the East in Manila (cum laude).

Laurito E. Serrano
Independent Director

Mr. Laurito E. Serrano was appointed Director of the Company on June 8, 2013. He has been a Director of Philippine Veterans Bank and Atlas Consolidated Mining Corporation since June 2012 and August 2012, respectively. Since March 2010, Mr. Serrano has been Managing Director of CibaCapital Philippines, Inc. where he develops and promotes financial advisory and project development engagements, involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, work-out deals, project studies, business acquisitions and debt and equity capital-raisings. He was a partner at the accounting firm of SGV from 1992 to 1997 and part of the Audit and Business Advisory Group of SGV from 1980-1992. Mr. Serrano graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science degree in Commerce. He is a Certified Public Accountant and ranked twelfth in the CPA licensure examinations. He also obtained his Master's degree in Business Administration from Harvard Business School in Boston, Massachusetts, U.S.A.

Enrique M. Soriano III
Independent Director

Professor Enrique Soriano III was appointed Director of the Company on October 30, 2013. He is a Family Business Coach, Book Author, Professor of Global Marketing, Program Director for Real Estate and Chairman of the Marketing Cluster of the Ateneo Graduate School of Business ("AGSB"). He holds a B.A. in History from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and pursued Executive Education at the National University of Singapore Business School.

Stephen James Reilly
Chief Operating Officer

Mr. Stephen James Reilly has served as the Chief Operating Officer of the Company since January 1, 2013 and has served as Executive Vice President of the Company since November 2011. Mr. Reilly is responsible for the operations and projects of Travellers International and Resorts World Philippines. Mr. Reilly has also served as Country Head (Philippines) and Senior Vice President of GHK Group beginning in November 2011 and was responsible for the regional operating headquarters and GHK Group support services. Mr. Reilly joined GHK Group in January 1995, initially in the Surveillance Department where he was promoted to Director of Surveillance in 1997 and Vice President of Surveillance in 2003. Prior to joining the Company, Mr. Reilly had ten years of experience working in the United Kingdom, where he held the positions of Chief Security Officer and Surveillance Officer at the Regency and Barracuda Casinos, responsible for the security and surveillance of gaming operations.

Bernard Than Boon Teong
Chief Financial Officer

Mr. Bernard Than Boon Teong is the Chief Financial Officer of the Company. Prior to becoming Chief Financial Officer, he held the position of Vice President for Treasury. He has over 18 years of working experience in external audit, hospitality industry and casino/ gaming/ cruise line industries. Mr. Than held various positions throughout his career with Star Cruises from 1997 to 2008, starting as Accountant before being promoted to Assistant Controller, Controller, Director, then AVP. He was responsible for introducing a Computerized Tracking Program for the calculation of VIP players, level of gaming, and calculation of commission. He earned his business degree from Monash University in Melbourne, Australia.

M. Hakan Dagtas
Chief Gaming Operations Officer

Mr. M. Hakan Dagtas is the Chief Gaming Operations Officer of the Company. He has over 24 years of working experience in the hospitality industry and casino/gaming/cruise line industries. Mr. Dagtas served under various capacities throughout his career with Star Cruises from 1996 to 2008 in Hong Kong, Singapore, Malaysia and Thailand. He started as Inspector and was promoted to Shift Manager, Assistant Casino Manager and Casino Manager of different vessels of Star Cruises. He was in charge of the entire training team for the biggest ship of the fleet. He planned, organized and conducted several new games, upgrades, and service related courses. He graduated from the School of Tourism and Hotel Management of Cukurova University.

Eric Yaw Chee Cheow
Chief Business Development Officer (Casino Marketing)

Mr. Eric Yaw Chee Cheow is a casino industry veteran with 20 years of experience in casino surveillance and casino marketing operations. Prior to joining the Company, Mr. Yaw worked for a casino gaming company in Subic Bay with focus on international gaming promoter business, catering to gaming markets in the Greater China and South East Asian regions.

Patricia May T. Siy
Chief Corporate Planning Officer

Ms. Patricia May T. Siy is the Chief Corporate Planning Officer of the Company, principally in charge of corporate and strategic planning, investor relations, and business development for non-gaming activities, including inbound domestic and international sales, membership, corporate and merchant relationships and theater sales. In 2011, Ms. Siy served as the Chief Finance Officer for Rustan's Supercenter, Inc. Between 2000 and 2011, Ms. Siy worked for Security Bank Corporation. Her last position held and function was Segment Head (Executive Vice President) for Commercial and Retail Banking, with oversight of commercial lending units, branch banking, transaction banking, consumer lending and marketing and communications. During her tenure, she also managed the Corporate Relationship Group as Senior Vice President for six years and the Middle Market Group for three years. Ms. Siy also worked for Standard Chartered Bank for seven years in various positions, including in the Regional Consumer Credit, Global Special Asset Management and Corporate Banking Divisions. She also served in several capacities at the Private Development Corporation of the Philippines, where she worked for 11 years. Ms. Sy graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering, minoring in Chemical Engineering.

Ma. Georgina A. Alvarez
Chief Legal Officer

Atty. Ma. Georgina Alvarez is the Chief Legal Officer of the Company. She oversees the following corporate functional areas: Legal (Legal Compliance, Tax Compliance and Special Projects, Corporate Compliance and Contracts, Litigation and Labor). Prior to joining the Company, Atty. Alvarez was the Senior Vice President for Legal & Corporate Services of Global-Estates Resort, Inc. She worked for CJH Development Corporation from 1998 to 2008, her last position being Senior Vice President for Legal & Corporate Services. Atty. Alvarez started her career with Angara Abello Concepcion Regala & Cruz Law Offices as a litigation lawyer from 1995-1998. Atty. Alvarez graduated second in rank from the San Beda College of Law and earned with distinction her Masters in Management Major in Industrial Relations at the University of the Philippines. She obtained a Bachelor of Science degree with a Commerce Major in Economics and Marketing from Saint Louis University.

Stanley Chee
Chief Surveillance & Systems Officer
Mr. Stanley Chee is the Chief Surveillance & Systems Officer of the Company. He is responsible for the installation of a state-of-the-art digital CCTV system equipped with over 2,500 cameras, and the set-up of a Las Vegas-style casino surveillance monitoring room. Mr. Chee has over 27 years of casino experience with an understanding of the Asian gaming environment and popular table games, having worked at Star Cruises before joining the Company, serving Director of Surveillance and specializing in the operation of numerous ship-based casino surveillance monitor rooms.

Ravi D. Ganesan
Chief Gaming Training & Development Officer

Mr. Ravi Ganesan is the Chief Gaming Training and Development Officer of the Company. He has approximately 25 years of working experience in the casino/gaming/cruise line industries. Mr. Ganesan graduated from TAR College with a Course in Matriculation.

Armeen Basister Gomez
Chief Safety & Security Officer

Mr. Armeen Basister Gomez is the Chief Safety and Security Officer of the Company. He has over ten years of management and leadership experience in asset protection, fraud control, safety administration, investigation and related functions. He is a Board Certified Protection Professional of the American Society for Industrial Security International, and a Licensed Security Consultant licensed by SAGSD, Philippine National Police. Mr. Gomez has a Masters Degree in Business Administration from the International Academy of Management and Economics. He also completed a Post Graduate Course in Occupational Health and Safety from the University of the Philippines.

Allan Martin L. Paz
Chief Integrated Marketing Officer

Mr. Allan Martin L. Paz is the Chief Integrated Marketing Officer of the Company. He has close to 20 years of extensive experience and background in professional integrated communication, advertising and marketing. In 2009, Mr. Paz worked as Client Service Director for DDB Worldwide. Mr. Paz received an A.B. degree in Communication Arts, with an emphasis on Advertising/Marketing from the University of Santo Tomas.

W. Scott Sibley
Chief Hotel Operations Officer

Mr. W. Scott Sibley is the Chief Hotel Operations Officer of the Company. He has 28 years of extensive experience in the hospitality and hotel industry. Mr. Sibley has vast experience opening new hotels and working in different cities and countries including Florida, California, Hawaii, Dubai, Vietnam, Singapore, Cebu and Canada. He has been a General Manager for the last 14 years in Dubai, UAE; Toronto, Canada; Seoul, Korea; and Guam, USA. Mr. Sibley served as General Manager of Marriott Hotel Manila in 2012.

Jeffrey Rodrigo Lim Evora
Senior Director for Gaming Events & Promotions

Mr. Jeffrey Rodrigo Lim Evora is the Senior Director for Gaming Events & Promotions of the Company. He has nearly 20 years of experience in U.S., local, regional, Native American, riverboat, and mega-resort casino operations. Mr. Evora has held various positions throughout his career with hotels and resort property companies. Mr. Evora was an auditor with Hyatt Regency — Maui; a casino analyst at Flamingo Hilton Las Vegas; marketing manager of Lady Luck Gaming Corporation; and director of database marketing of Boyd Gaming Corporation and Horseshoe Gaming Holding Corporation. At Harrah's Entertainment, he was the Central Division Director of Marketing, Director of Casino Marketing, and eventually became the Director of Asian Communications. He was the Executive Director of Marketing at Seneca Niagara Casino and Hotel prior to joining Resorts World Manila. Mr. Evora earned his business degree from the University of Phoenix in Las Vegas, Nevada, USA.

Mary Ann E. Moreno
Senior Director for Gaming Treasury

Ms. Mary Ann Moreno is Senior Director for Gaming Treasury of the Company. She has close to 20 years of experience in the casino/gaming industry. Ms. Moreno graduated from Polytechnic University of the Philippines with a Bachelor of Science degree with a major in Computer Data Processing Management.

Carlito B. Banaag
Director for Audit & Risk Management

Mr. Carlito B. Banaag was appointed Director for Audit & Risk Management for Resorts World Manila's Audit and Risk Management Department in July 2010. Mr. Banaag was previously the Operational Risk Management Officer at China Banking Corporation, where he participated in risk awareness campaigns and bank personnel training. He has served as Internal Audit Head for Philippine Deposit Insurance Corporation and as Risk Management/Compliance Officer for several private banks. He is a Certified Public Accountant with a bachelor's degree in Accountancy from the Polytechnic University of the Philippines.

Significant Employees

The Company does not have significant employees, i.e., persons who are not executive officers but expected to make significant contribution to the business.

Family Relationships

There are no family relationships between any Directors and any members of the Company's senior management as of the date of this report.

Involvement in Certain Legal Proceedings

As of December 2014, to the best of the Company's knowledge and belief and after due inquiry, none of the Company's directors, nominees for election as director, or executive officer have in the five year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) found by a domestic or foreign court of competent jurisdiction (in a civil action), to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Compensation

The following are the Company's President and four most highly compensated executive officers for the year ended December 31, 2014:

Name	Position
Sian, Kingson Uy Shiok	President
Alvarez, Ma. Georgina Aragon	Chief Legal Officer
Siy, Patricia May Tan	Chief Corporate Planning Officer
Bernabe, Ethel Asido	Senior Director for Gaming Operations
Moreno, Mary Ann Encabo	Senior Director for Gaming Treasury

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers of the Company in 2011, 2012, 2013:and 2014.

	Year	Total[1]
President and the four most highly compensated executive officers named above	2011	10,170,201
	2012	17,303,498
	2013	29,388,469
	2014	34,486,828
Aggregate compensation paid to all other officers as a group unnamed	2011	117,671,043
	2012	160,005,572
	2013	264,489,977
	2014	255,976,754

Note:

(1) Includes salary, bonuses and other income.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2013 for any service provided as a director.

Employment Contracts

The Company has no special employment contracts with the named executive officers.

Warrants and Options Outstanding

There are no outstanding warrants or options held by the President and CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of December 31, 2014.

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	No. of Preferred B Shares Held	Total No. of Shares Held	% of Total Outstanding Shares
Adams Properties, Inc., 20/F IBM Plaza Bldg., Eastwood City, Bagumbayan, Quezon City, Philippines	N/A	Filipino	3,539,750,000	8,333,333,333	11,873,083,333	46.10%
Alliance Global Group, Inc., 20/F IBM Plaza Bldg., Eastwood City, Bagumbayan, Quezon City, Philippines	N/A	Filipino	3,957,112,838	–	3,957,112,838	15.36 %
Star Cruises Philippines Holdings B.V., Herikerbergweg 238, Luna Arena, 1101CM, Amsterdam, Zuidoost, The Netherlands	N/A	Dutch	2,831,799, 980	1,666,666,667	4,498,466,667	17.47%
Asian Travellers, Ltd., Officers of Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O., Box 3444, Road Town Tortola, British Virgin Islands	N/A	British Indian	1,784,034,000	–	1,784,034,000	6.93%

As of December 31, 2014, the Company's level of foreign ownership is 32.21% of its equity.

Security Ownership of Directors and Officers as of the date of this Prospectus

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Tan, Andrew L. (Director)	1,000 shares (direct)	Filipino	Nil
Common	Sian, Kingson Uy Shiok (President/Chief Executive Officer/Director)	1,000 shares (direct)	Filipino	Nil
Common	Lim, Tan Sri Kok Thay (Director)	1,000 shares (direct)	Malaysian	Nil
Common	Chua, Ming Huat (Chairman/Director)	1,000 shares (direct)	Malaysian	Nil
Common	Rubio, Jose Alvaro D. (Director)	51,000 shares (direct)	Filipino	Nil
Common	Serrano, Laurito E. (Director)	1,000 shares (direct)	Filipino	Nil
Common	Soriano, Enrique (Director)	1,000 shares (direct)	Filipino	Nil
Common	Reilly, Stephen James (Chief Operating Officer)	22,100 shares (direct)	British	Nil
Common	Evora, Jeffrey Rodrigo Lim (Senior Director for Gaming Events & Promotions)	44,000 shares (direct)	American	Nil
		Total: 123,100 shares		

Voting Trust Holders of 5% or More

To the best of the Company's knowledge and belief, there were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this report.

Change in Control

As of the date of this report, there are no arrangements which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2014 and 2013 (please see as filed elsewhere in here), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of more than ten percent (10%) of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of more than ten percent (10%) of the Company's voting shares had or is to have a direct or indirect material interest.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24, *Related Party Disclosures,* but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

Please refer to the attached ACGR.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a) Exhibits

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2014 and 2013

b) Reports on SEC Form 17-C

The following reports have been submitted by the Company during and subsequent to 2014 through official disclosure letters:

Date	Disclosures
January 22, 2014	Election and Ratification of the Members of the Nomination, Remuneration & Compensation, Audit, Corporate Governance and Executive Committees
February 14, 2014	Amendments to the Articles of Incorporation and By-laws
March 5, 2014	List of Stockholders as of Record Date for Purposes of Obtaining the Written Assent of the Shareholders on the Amendments to the Articles of Incorporation
March 12, 2014	Approval of the Amendment to Articles of Incorporation
March 17, 2014	Notice of Investor Briefing Teleconference on 21 March 2014
March 18, 2014	Notice of Resignation of an Officer (Chief Technology Officer)
March 19, 2014	Press Release: Travellers International Shares 2013 Full Year Disclosure
March 19, 2014	Approval of Amended By-Laws
April 1, 2014	Survey on Corporate Governance Guidelines for Listed Companies with the Philippine Stock Exchange
April 1, 2014	Postponement of the 2013 Annual Stockholders' Meeting from 8 April 2014 to 13 June 2014
April 16, 2014	Quarterly Summary on the Application of IPO Proceeds
April 28, 2014	Board Resolution on the ASM Agenda, Record Date, STB Closing and ESOP Approval
April 29, 2014	Retirement of Chief Business Development Officer for Casino Marketing
April 29, 2014	PAGCOR Approval on New Gaming Capacity
May 20, 2014	Combining the Annual Stockholders' Meeting for the years 2013 and 2014
May 28, 2014	List of Shareholders as of Record Date, 22 May 2014
June 16, 2014	Results of the Organizational Board Meeting on 13 June 2014
June 16, 2014	Results of the Annual Stockholders' Meeting for the years 2013 and 2014
June 16, 2014	Approval of the Employee Stock Option Plan
June 23, 2014	Sale by Megaworld Corporation of 1,125,312,838 common shares of stock in the Company to Alliance Global Group, Inc.
July 18, 2014	Quarterly Summary on the Application of Proceeds for 2Q
August 12, 2014	Investor Briefing for the 1H 2014 Performance of the Company
August 18, 2014	Clarification on the News Article Published in Manila Bulletin
August 18, 2014	Adoption of the Board Committee Charters
August 22, 2014	Clarification on the News Article Published in Manila Standard Today
September 23, 2014	Press Release: Travellers jumpstarts construction of USD 1.1 Billion Bayshore City Resorts World this month
September 23, 2014	Acquisition of Shares of stock by the Company in Resorts World Bayshore City Inc.
September 25, 2014	Substantial Acquisition of Shares of Stock in Resorts World Bayshore City Inc.
September 29, 2014	Marriott, Starwood and Hilton Hotel Brands commended by Fortune and Travel + Leisure
October 1, 2014	Travellers-owned RWBCI groundbreaks Bayshore City Resorts World Project
October 3, 2014	Adoption of the Code of Business Conduct and Ethics
October 16, 2014	Quarterly Summary on the Application of Proceeds for 3Q
October 3, 2014	Appointment and Promotion of Officer
November 17, 2014	Press Release: Travellers' Net Profit at P4.0 Billion, 12% improvement over

	same period in 2013
January 29, 2015	Appointment of New Corporate Secretary
January 29, 2015	Quarterly Summary Application of Proceeds for 4Q 2014
January 29, 2015	Annual Summary Application of Proceeds for the Year 2014
March 12, 2015	Compliance Report on Corporate Governance
March 16, 2015	Resetting the ASM to June 18, 2015.
Match 16, 2015	Investor's Briefing on March 20, 2015

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasay on March 19, 2015.

By:

KINGSON SIAN
Principal Executive Officer

STEPHEN JAMES REILY
Principal Operating Officer

BERNARD THAN BOON TEONG
Principal Financial Officer

SUBSCRIBED AND SWORN to before me this _____ day of MAR 1 9 2015 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
KINGSON SIAN		PASSPORT NO. EB7869620	VALID UNTIL 11 FEB 2018
STEPHEN JAMES REILEY		PASSPORT NO. 099237971	VALID UNTIL 18 JAN 2022
BERNARD THAN BOON	TEONG	PASSPORT NO. A24320788	VALID UNTIL 10 MAY 2016

____
Notary Public

Doc. No. 1
Page No. 2
Book No. VI
Series of 2015

WALTER L. MACTAL
NOTARY PUBLIC
ROLL NO. 57277
PASAY CITY, PHILIPPINES

WALTER L. MACTAL
Notary Public for Pasay City
Until December 31, 2015
PTR NO. 4186198, 06 January 2015/Pasay City
IBP NO. 0983021, 05 January 2015/Quezon City
NOTARIAL COMMISSION NO. 14-22
Roll of Attorney No. 57277
10 F N... Building, Newport Boulevard,
N... City, 1309 Pasay City, Metro Manila

Punongbayan & Araullo

An instinct for growth™

Consolidated Financial Statements and Independent Auditors' Report

Travellers International Hotel Group, Inc. and Subsidiaries

December 31, 2014, 2013 and 2012

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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The Board of Directors and Stockholders
Travellers International Hotel Group, Inc.
and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
10/F Newport Entertainment & Commercial Centre
Newport Boulevard, Newport Cybertourism Economic Zone
Pasay City

We have audited the accompanying consolidated financial statements of Travellers International Hotel Group, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Travellers International Hotel Group, Inc. and subsidiaries as at December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 27, 2015

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2014	2013
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 17,856,400,410**	P 25,775,504,641
Trade and other receivables	6	**4,278,725,616**	3,043,280,454
Advances to related parties	22	**159,878,381**	160,722,254
Inventories	7	**77,050,033**	207,242,030
Prepayments and other current assets	8	**706,879,685**	284,945,836
Total Current Assets		**23,078,934,125**	29,471,695,215
NON-CURRENT ASSETS			
Available-for-sale financial assets	27	**63,160,000**	49,880,000
Investments in associates	9	**953,079,580**	156,250,000
Advances for future investment	10	**2,588,235,294**	-
Property and equipment - net	11	**33,700,213,214**	29,200,648,007
Investment property - net	12	**1,608,123,984**	1,670,869,491
Deferred tax assets	21	**161,586,746**	12,437,366
Other non-current assets	13	**1,728,139,847**	663,955,473
Total Non-current Assets		**40,802,538,665**	31,754,040,337
TOTAL ASSETS		**P 63,881,472,790**	P 61,225,735,552
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P -**	P 1,603,268,951
Trade and other payables	15	**8,300,220,049**	7,312,519,510
Advances from related parties	22	**1,913,260,919**	161,969,303
Dividends payable	23	**-**	1,299,210,000
Income tax payable		**5,337,998**	5,769,875
Total Current Liabilities		**10,218,818,966**	10,382,737,639
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**216,923,061**	2,968,477,555
Notes payable	16	**13,209,060,653**	13,095,218,012
Derivative liability	16	**869,818,108**	1,145,961,938
Retirement benefit obligation	20	**118,813,151**	83,677,770
Other non-current liabilities	22	**146,729,480**	121,818,390
Total Non-current Liabilities		**14,561,344,453**	17,415,153,665
Total Liabilities		**24,780,163,419**	27,797,891,304
EQUITY			
Equity attributable to parent company			
Capital stock	23	**10,000,000,000**	10,000,000,000
Additional paid-in capital	23	**22,417,157,066**	22,417,157,066
Treasury shares, at cost	23	**(8,324,412,515)**	(8,324,412,515)
Revaluation reserves	23	**39,230,463**	46,604,602
Retained earnings	23	**14,733,381,929**	9,288,495,095
Total equity attributable to shareholders of the parent company		**38,865,356,943**	33,427,844,248
Non-controlling interests	2	**235,952,429**	-
Total Equitty		**39,101,309,371**	33,427,844,248
TOTAL LIABILITIES AND EQUITY		**P 63,881,472,790**	P 61,225,735,552

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
NET REVENUES				
Gaming	2, 22	**P 28,376,733,234**	P 30,003,598,507	P 28,058,258,093
Non-gaming:				
Hotel, food, beverage and others	2	**2,264,169,550**	2,502,498,641	2,138,225,200
Other operating income	18	**922,373,692**	875,560,158	880,710,104
		31,563,276,476	33,381,657,306	31,077,193,397
Less promotional allowance	2	**2,502,976,854**	2,533,628,373	1,687,446,005
		29,060,299,622	30,848,028,933	29,389,747,392
DIRECT COSTS	17	**10,755,169,639**	12,107,719,504	10,111,138,294
GROSS PROFIT		**18,305,129,983**	18,740,309,429	19,278,609,098
GENERAL AND ADMINISTRATIVE EXPENSES	17	**11,907,758,971**	14,123,148,656	11,818,861,493
OPERATING PROFIT		**6,397,371,012**	4,617,160,773	7,459,747,605
OTHER INCOME (CHARGES)				
Finance costs	19	**(1,026,706,225)**	(2,036,794,564)	(1,430,118,362)
Finance income	19	**190,144,735**	225,815,470	772,741,044
Share in net loss of an associate	2, 9	**(40,168,131)**	-	-
		(876,729,621)	(1,810,979,094)	(657,377,318)
PROFIT BEFORE TAX		**5,520,641,391**	2,806,181,679	6,802,370,287
TAX EXPENSE	21	**75,568,162**	66,665,186	68,154,087
NET PROFIT FOR THE YEAR		**5,445,073,229**	2,739,516,493	6,734,216,200
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Actuarial gain (loss) on remeasurement of retirement benefit obligation	20	**(5,687,010)**	49,336,099	-
Tax income (expense)	21	**1,532,871**	(13,362,162)	-
	23	**(4,154,139)**	35,973,937	-
Item that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	23	**(3,220,000)**	242,000	12,390,000
		(7,374,139)	36,215,937	12,390,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 5,437,699,090**	P 2,775,732,430	P 6,746,606,200
Net profit attributable to:				
Parent company's shareholders		**P 5,444,886,834**	P 2,739,516,493	P 6,734,216,200
Non-controlling interests		**186,395**	-	-
		P 5,445,073,229	P 2,739,516,493	P 6,734,216,200
Total comprehensive income attributable to:				
Parent company's shareholders		**P 5,437,512,695**	P 2,775,732,430	P 6,746,606,200
Non-controlling interests		**186,395**	-	-
		P 5,437,699,090	P 2,775,732,430	P 6,746,606,200
Earnings Per Share:	29			
Basic		**P 0.35**	P 0.31	P 6.73
Diluted		**P 0.35**	P 0.19	P 6.73

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

		Attributable to Shareholders of Parent Company							
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total
Balance at January 1, 2014		P 10,000,000,000	P 22,417,157,066	(P 8,324,412,515)	P 46,604,602	P 9,288,495,095	P 33,427,844,248	P -	P 21,256,623,269
Non-controlling interest in newly-acquired subsidiary	2	-	-	-	-	-	-	235,766,033	235,766,033
Total comprehensive income for the year		-	-	-	(7,374,139)	5,444,886,834	5,437,512,695	186,395	5,437,699,090
Balance at December 31, 2014	23	**P 10,000,000,000**	**P 22,417,157,066**	**(P 8,324,412,515)**	**P 39,230,463**	**P 14,733,381,929**	**P 38,865,356,943**	**P 235,952,429**	**P 39,101,309,371**
Balance at January 1, 2013		P 10,000,000,000	P 5,821,627,500	(P 8,584,100,000)	P 10,388,665	P 13,988,888,602	P 21,236,804,767	P -	P 21,236,804,767
Issuances during the year	23	-	16,595,529,566	259,687,485	-	-	16,855,217,051	-	16,855,217,051
Cash dividends	23	-	-	-	-	(7,439,910,000)	(7,439,910,000)	-	(7,439,910,000)
Total comprehensive income for the year		-	-	-	36,215,937	2,739,516,493	2,775,732,430	-	2,775,732,430
Balance at December 31, 2013	23	P 10,000,000,000	P 22,417,157,066	(P 8,324,412,515)	P 46,604,602	P 9,288,495,095	P 33,427,844,248	P -	P 33,427,844,248
Balance at January 1, 2012		P 10,000,000,000	P 5,821,627,500	(P 4,300,000,000)	(P 2,001,335)	P 7,254,672,402	P 18,774,298,567	P -	P 18,774,298,567
Acquisitions during the year	23	-	-	(4,284,100,000)	-	-	(4,284,100,000)	-	(4,284,100,000)
Total comprehensive income for the year		-	-	-	12,390,000	6,734,216,200	6,746,606,200	-	6,746,606,200
Balance at December 31, 2012	23	P 10,000,000,000	P 5,821,627,500	(P 8,584,100,000)	P 10,388,665	P 13,988,888,602	P 21,236,804,767	P -	P 21,236,804,767

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 5,520,641,391	P 2,806,181,679	P 6,802,370,287
Adjustments for:				
Depreciation	17	1,516,728,535	2,100,495,592	1,709,967,602
Interest expense	19	947,384,181	1,226,431,676	1,056,904,123
Interest income	19	(190,144,735)	(225,815,469)	(212,108,499)
Loss (gain) on sale of property and equipment - net	11	75,575,223	(1,823,976)	-
Share in net loss of an associate	9	40,168,131	-	-
Unrealized loss on interest rate swap	19	36,405,850	112,842,001	368,646,466
Unrealized foreign exchange losses (gains) - net		31,469,552	562,741,568	(646,605,773)
Reversal of accumulated share of net losses in an associate	18	(5,000,000)	-	-
Operating profit before working capital changes		7,973,228,128	6,581,053,071	9,079,174,206
Increase in trade and other receivables		(977,107,622)	(732,554,812)	(900,036,873)
Decrease (increase) in advances to related parties		843,873	28,251,214	(22,192,530)
Decrease (increase) in inventories		130,191,997	(61,676,297)	(61,729,279)
Decrease (increase) in prepayments and other current assets		(421,933,849)	(42,813,577)	34,253,981
Increase in trade and other payables		814,259,299	2,150,116,950	310,384,060
Increase in advances from related parties		1,751,291,616	140,417,289	17,598,692
Increase in retirement benefit obligation		30,981,242	16,700,311	20,022,473
Increase (decrease) in other non-current liabilities		24,945,726	(544,001,917)	575,173,023
Cash generated from operations		9,326,700,410	7,535,492,232	9,052,647,753
Cash paid for income taxes		(225,184,055)	(64,948,221)	(55,107,326)
Net Cash From Operating Activities		9,101,516,355	7,470,544,011	8,997,540,427
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	11	(6,344,662,220)	(5,570,382,127)	(4,386,526,794)
Advances for future investment	10	(2,588,235,294)	-	-
Increase in other non-current assets		(1,064,184,374)	(31,497,398)	(94,064,212)
Additional investments in an associate	9	(836,997,711)	-	-
Proceeds from sale of property and equipment	11	640,606,867	-	-
Interest received		191,031,209	237,298,835	316,074,070
Additional investments in available-for-sale financial assets	27	(16,500,000)	(9,068,000)	(710,000)
Proceeds from sale of investment in an associate	9	5,000,000	-	-
Additional investments in time deposits	5, 8	-	-	(108,403,687)
Net Cash Used in Investing Activities		(10,013,941,523)	(5,373,648,690)	(4,273,630,623)
Balance Carried Forward		(P 912,425,168)	P 2,096,895,321	P 4,723,909,804

	Notes	2014	2013	2012
Balance Brought Forward		(P 912,425,168)	P 2,096,895,321	P 4,723,909,804
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings		(4,417,124,800)	(2,634,716,000)	(196,786,935)
Dividends paid	23	(1,299,210,000)	(6,140,700,000)	-
Interest paid		(1,060,167,672)	(1,221,553,482)	(1,714,640,588)
Payments of derivative liability		(318,270,188)	(300,675,000)	(206,587,262)
Proceeds from issuances of shares of stock	23	-	16,780,217,051	-
Acquisition of treasury shares		-	-	(4,284,100,000)
Net Cash From (Used in) Financing Activities		(7,094,772,660)	6,482,572,569	(6,402,114,785)
EFFECTS OF EXCHANGE RATES CHANGES ON CASH AND CASH EQUIVALENTS		88,093,597	282,334,322	284,220,763
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,919,104,231)	8,861,802,212	(1,393,984,218)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		25,775,504,641	16,913,702,429	18,307,686,647
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 17,856,400,410	P 25,775,504,641	P 16,913,702,429

Supplemental Information on Non-cash Investing Activities:

1) The Group capitalized borrowing costs amounting to P348.5 million, P222.4 million and P282.8 million in 2014, 2013 and 2012, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained for the development of a portion of the Group's properties (see Note 11).

2) In 2013, the Group transferred certain Property and Equipment used for vehicle parking spaces amounting to P339.6 million to Investment Property (see Notes 11 and 12).

3) In 2013, portion of construction in progress amounting to P235.5 million were transferred to a related party at cost, the outstanding liability and receivable of which remain unpaid as of December 31, 2013 and paid in 2014 (see Notes 11 and 22).

4) The Group sold certain transportation equipment to a third party for a total consideration of P23.5 million in 2014 and P25.0 million in 2013, which remain unpaid as of December 31, 2014 and 2013, respectively (see Note 11).

See Notes to Consolidated Financial Statements.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Travellers International Hotel Group, Inc. (the Company) was incorporated in the Philippines on December 17, 2003 primarily to engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses, which include holding investments in and operating casinos and other gaming activities as part of its main operations. On October 14, 2010, the Philippine Securities and Exchange Commission (SEC) approved the Company's amendment to its Articles of Incorporation, as approved in a resolution by the Company's stockholders on August 29, 2010, to include in its primary purposes the guaranteeing of obligations of unconsolidated entities. The Company's casinos and restaurants in Resorts World Manila started commercial operations on August 28, 2009 while the Company's hotel and restaurant operations in Maxims Manila Hotel (Maxims), Marriott Hotel Manila (Marriott) and Remington Hotel started on various dates in 2009 to 2011. The Company engages in casino operations under the Provisional License Agreement with the Philippine Amusement and Gaming Corporation (PAGCOR) dated June 2, 2008 (see Note 24.4).

The Company's common shares were listed and traded in the Philippine Stock Exchange (PSE) beginning November 5, 2013 (see Note 23.1).

As at December 31, 2014, 2013 and 2012, the Company holds direct ownership interests in the following companies (together with the Company, collectively referred to as "the Group") that were established to engage in businesses related to the main business of the Company:

Name of Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2014	2013	2012
Subsidiaries:				
APEC Assets Limited (APEC)	(a)	**100.0%**	100.0%	100.0%
Brightleisure Management, Inc. (BLMI)	(b)	**100.0%**	100.0%	100.0%
Bright Pelican Leisure and Recreation, Inc. (BPLRI)	(c)	**100.0%**	100.0%	-
Deluxe Hotels and Recreation, Inc. (DHRI)	(c)	**100.0%**	100.0%	100.0%
Entertainment City Integrated Resorts & Leisure, Inc. (ECIRLI)	(c)	**100.0%**	100.0%	100.0%
FHTC Entertainment & Productions Inc. (FHTC)	(d)	**100.0%**	100.0%	-
Golden Peak Leisure and Recreation, Inc. (GPLRI), formerly Yellow Warbler Leisure and Recreation, Inc.	(c)	**100.0%**	100.0%	-
Grand Integrated Hotels and Recreation, Inc. (GIHRI)	(c)	**100.0%**	100.0%	100.0%
Grandservices, Inc. (GSI)	(b)	**100.0%**	100.0%	100.0%
Grandventure Management Services, Inc. (GVMSI)	(b)	**100.0%**	100.0%	100.0%

Name of Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2014	2013	2012
Subsidiaries:				
Lucky Star Hotels and Recreation, Inc. (LSHRI)	(c)	**100.0%**	100.0%	100.0%
Majestic Sunrise Leisure & Recreation, Inc. (MSLRI)	(c)	**100.0%**	100.0%	100.0%
Netdeals, Inc. (NDI)	(e)	**100.0%**	100.0%	100.0%
Newport Star Lifestyle, Inc. (NSLI)	(f)	**100.0%**	100.0%	100.0%
Royal Bayshore Hotels & Amusement, Inc. (RBHAI)	(c)	**100.0%**	100.0%	100.0%
Resorts World Bayshore City, Inc. (RWBCI)	(g)	**95.0%**	-	-
Associates:				
Manila Bayshore Property Holdings, Inc. (MBPHI)	(h)	**50.0%**	50.0%	50.0%
Genting-Star Tourism Academy, Inc. (GSTAI)	(i)	-	50.0%	50.0%

Notes:

(a) A foreign corporation envisioned to provide transportation and other related services to valued patrons of the Company.

(b) Established to provide manpower needs in the casino, hotel, food and beverage operations of the Company.

(c) Established to acquire, manage, operate, own, lease, maintain, and/or engage in the business of hotels, shopping malls, restaurants, theaters, cinema houses, leisure and recreational facilities, private clubs, motels and/or motor lodges.

(d) Established to engage in productions of performing arts/theater, music, motion picture, concert, dance and ballet, audio recording, interactive media production, entertainment technology, marketing and distribution, animation, publishing, set and prop design, acting education, photography, video editing and post production, script writing, art conceptualization, advertising and public relations.

(e) Established to conduct and carry on the business of web and internet solutions, promotion and marketing of business establishments, locally and abroad, with the use of the web and the internet as its primary medium.

(f) Established to facilitate enhancements to services of various institutions, within and outside the Philippines by providing related services to promote the sale consumption, utilization and patronage of goods, merchandise and services of producers, retailers, wholesalers and traders.

(g) Established to primarily engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses which include holding investments in and opening casinos and other gaming activities as part of its main operations. Furthermore, RWBCI has two wholly owned subsidiaries namely, Purple Flamingos Amusement and Leisure Corporation and Red Falcon Amusement and Leisure Corporation, which have not yet started commercial operations as of December 31, 2014. In 2014, the Company obtained 95% equity ownership interest in RWBCI through acquisition of RWBCI's shares of stock from its previously unissued shares. Accordingly, RWBCI became a subsidiary of the Company.

(h) Established to engage in real estate business, particularly construction of condominium units and buildings.

(i) Engaged in providing education, technical or vocational training programs, courses and facilities within the travel and tourism industry and sold in 2014 (see Note 9).

The Company's subsidiaries and associates are all incorporated in the Philippines, except for APEC which is incorporated in the British Virgin Islands. The principal place of business of these subsidiaries and associates is within Metro Manila, Philippines.

As at December 31, 2014, BPLRI, DHRI, ECIRLI, GPLRI, LSHRI, MSLRI, NSLI, RBHAI and RWBCI, have not yet started commercial operations.

As at December 31, 2014, 2013 and 2012, the following stakeholders have direct ownership interests in the Company's outstanding common shares:

Name of Stockholders	Explanatory Notes	Percentage of Ownership 2014	2013	2012
Alliance Global Group, Inc. (AGI)	(a)	**25.1%**	18.0%	20.0%
Adams Properties, Inc. (Adams)	(b)	**22.5%**	22.5%	25.0%
Star Cruises Philippines Holdings B.V. (SCP)	(c)	**18.0%**	18.0%	20.0%
Asian Travellers Ltd. (ATL)	(d)	**11.3%**	11.3%	12.6%
Premium Travellers Ltd. (PTL)	(d)	**6.6%**	6.6%	7.4%
First Centro, Inc. (FCI)	(e)	**4.5%**	4.5%	5.0%
Megaworld Corporation (Megaworld)	(f)	**1.8%**	9.0%	10.0%
Other related parties	(g)	**0.1%**	-	-
Public ownership	(g)	**10.1%**	10.1%	-
		100%	100%	100%

Notes:

(a) AGI, the Company's parent company, is a publicly listed domestic holding company with diversified investments in real estate, food and beverage, quick service restaurant, and tourism-entertainment and gaming business. The registered office of AGI is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

(b) A domestic company with registered office located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

(c) A foreign holding entity, wholly owned by Genting Hongkong Limited (GHL), duly incorporated and with registered offices at Herikerbergweg 238 Luna Arena, 1101 CM Amsterdam, Zuidoost, The Netherlands.

(d) Foreign entities duly incorporated and with registered offices at Portcullis Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands.

(e) A wholly owned subsidiary of AGI engaged in the business of developing and selling its own real estate properties and acting as agent or broker for sale transactions of real properties of other entities. The registered office of FCI is located at 10th Floor, The Richmonde Hotel, 21 San Miguel Avenue corner Lourdes Street, Ortigas Center, Pasig City.

(f) A publicly listed subsidiary of AGI which is presently engaged in property-related activities, such as, project design, construction and property management. The registered office of Megaworld is located at 28th Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City.

(g) The enumeration of the other related parties and their respective percentages of ownership in the total outstanding common shares of the Company, as well as the computation for public ownership percentage is expounded in the Public Ownership Report as of December 31, 2014 disclosed by the Company to the PSE on January 14, 2015.

In 2012, the Company became a subsidiary of AGI as the latter obtained the power to govern the financial and operating policies and direct other relevant activities of the Company.

The Company's registered office, which is also its principal place of business, is located at 10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City.

The consolidated financial statements of the Group as of and for the year ended December 31, 2014 (including the comparative financial statements for the years ended December 31, 2013 and 2012) were authorized for issue by the Company's Board of Directors (BOD) on February 27, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS and Interpretation

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12, and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements – Exemption from Consolidation for Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding period are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. This amendment did not have a significant impact on the Group's consolidated financial statements as the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, except as disclosed in Note 22.6. In addition, potential offsetting arrangements are disclosed in Note 26.2.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the Group did not recognize impairment losses on any of its non-financial assets during the year presented.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into novation transactions involving its derivative instrument nor does the Group apply hedge accounting, the amendment did not have any impact on the consolidated financial statements.

(iv) PFRS 10 (Amendment), *Consolidated Financial Statements*, PFRS 12 (Amendment), *Disclosures of Interests in Other Entities* and PAS 27 (Amendment), *Separate Financial Statements – Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39 or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. These amendments did not have a significant impact on the Group's consolidated financial statements as there were no transactions entered by the Group involving an investment entity.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions*, *Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2014 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PAS 19 (Amendment), *Employee Benefits: Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(v) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt of PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition."

(d) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(e) PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

(f) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of the conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

(b) PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PAS 19 (Amendment), *Employee Benefit.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(b) PAS 34 (Amendment), *Interim Financial Reporting.* The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same teams as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

(c) PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries and associates are prepared for the same reporting period as that of the Company, using consistent accounting policies.

The Company accounts for its investments in subsidiaries and associates as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Parent Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity and (iii) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold (see Note 2.13).

(b) *Investments in Associates*

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are reported as Share in Net Profit (Loss) of Associates in the Group's profit or loss.

Impairment loss is provided when there is objective evidence that the investment in associates will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized. If the investment in associate is subsequently sold, the Group recognizes in profit and loss the difference between the consideration received and the carrying amount of the investment. The excess consideration received over the carrying amount of the investment is recognized as Reversal of accumulated share of net losses in an associate and is presented as part of Other Operating Income account in the consolidated statement of comprehensive income (see Note 9).

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

In computing for the share in net profit or loss of associate, unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a Group perspective.

(c) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Company holds interests in various subsidiaries and associates as presented in Notes 1 and 9.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Executive Committee (ExeCom); its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The financial asset categories currently relevant to the Group are loans and receivables and AFS financial assets. A more detailed description of these financial assets is as follows:

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to suppliers), Advances to Related Parties, Investments in time deposits under Prepayments and Other Current Assets and Refundable deposits and Accumulated jackpot seed money under Other Non-current Assets in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is an objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

(b) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Available-for-sale Financial Assets account in the non-current assets section of the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS financial assets include golf and other club shares which are proprietary membership club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments

The Group uses derivative financial instruments to manage its risks associated with interest rates. Such derivative financial instruments are initially recognized at fair value on the date in which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see Note 2.11).

The Group's derivative instruments provide economic hedges but are not designated as accounting hedges and any gains or losses arising from changes in fair value are recognized directly in profit or loss for the period.

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost, which includes purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities, is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of operating and other supplies is the current replacement cost.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Leasehold right pertains to the upfront cash payment made by the Group to Nayong Pilipino Foundation (NPF) for the right to lease and use NPF's land located in a certain entertainment site for the Group's construction and development of a casino complex. The cost of the asset is the amount of cash or cash equivalents paid, which is equivalent to the transaction price at the inception of the lease. Leasehold right is amortized on a straight-line basis of 20 years, which is in accordance with the amortization period that is part of the lease term as approved by NPF (see Note 13). The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18). Leasehold right is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the item is derecognized.

2.9 Property and Equipment

Land is measured at cost less any impairment in value. All other property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building improvements	30 years
Gaming machines and equipment	5 to 10 years
Transportation equipment	5 to 10 years
Furniture, fixtures and equipment	5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing cost and other direct costs (see Note 2.21). The account is not depreciated until such time that the assets are completed and available for use.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

2.10 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property, which pertains to a portion of buildings and building improvements held under operating leases, is stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation of investment property is computed on a straight-line basis over the asset's estimated useful life of 30 years.

The carrying amount of investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

Investment property, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the period of retirement or disposal.

2.11 Financial Liabilities

Financial liabilities of the Group, which include Interest-bearing Loans and Borrowings, Trade and Other Payables (except tax-related liabilities and Liability for unredeemed gaming points), Dividends Payable, Advances from Related Parties, Notes Payable, Derivative Liability and Other Non-current Liabilities, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as expenses in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings and notes payable are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other non-current liabilities are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities upon declaration by the Parent Company's BOD.

Derivative liability represents the cumulative changes in net fair value losses arising from the Group's interest rate swap.

Financial liabilities are classified at FVTPL if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category. Included in this category is the Group's Derivative Liability account in the consolidated statement of financial position (see Note 2.6).

A substantial modification to the terms of a financial liability is accounted for as an extinguishment of the existing liability and the recognition of a new or modified liability at its fair value. A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized as gain or loss on extinguishment of liability in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such a case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy, and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Group, and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Gaming* – Revenue is recognized from the net wins (losses) from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.

(b) *Hotel, food, beverage and others* – Revenues are recognized when services are rendered and upon delivery to and receipt of goods by the customer.

(c) *Rentals* – Revenue is recognized on a straight-line basis over the duration of the lease term (see Note 2.16). For tax purposes, rental income is recognized based on the contractual terms of the lease.

(d) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include income from cinema and production shows, parking space, service commissions and others (see Note 18).

(e) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding applicable value-added tax (VAT).

The Group provides a membership card for its patrons. Members earn points on gaming activity, and such points are redeemable for complimentary goods and services such as rooms, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in profit or loss, on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance, and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.17 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.18 Impairment of Non-financial Assets

The Group's investments in associates, advances for future investment, property and equipment, investment property, leasehold right and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's cash generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

(a) Retirement Benefit Obligation

The Group does not have a formal retirement plan but it accrues its retirement benefit obligation based on the minimum requirement under Republic Act (R.A.) 7641, *The Retirement Pay Law*. Such retirement benefit obligation is actuarially determined by an independent actuary in accordance with PAS 19 (Revised).

R.A. No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group. The Group's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond, as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses from experience adjustments and changes in actuarial assumptions, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income. Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences and Other Employee Benefits

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Group recognizes a liability and an expense for other employee benefits based on a formula that takes into consideration the profit attributable to the Group's employees after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation. These are included in Accrued employee benefits under the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Share-based Employee Remuneration

The Company has adopted an Employee Stock Option Plan (ESOP) that grants share options to eligible key executive officers. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. The fair value excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of options that ultimately vest on vesting date. No subsequent adjustment is made to expense after vesting date, even if the share options are ultimately not exercised.

Upon exercise of the share option, the proceeds received, net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC).

On August 20, 2014, the Markets and Securities Regulation Department of the SEC issued Resolution No. 13, Series of 2014 confirming as exempt from registration requirements of the Securities Regulation Code the issuance of the common shares, not to exceed 945,352,491 common shares, or 6% of the outstanding capital stock of the Company listed with the PSE, to eligible employees pursuant to the Company's ESOP adopted by the Company's shareholders and BOD effective June 13, 2014.

The purpose of the ESOP is to (a) strengthen the alignment of interests between key employees and consultants of the Company and the Company's shareholders through the ownership of the Company's shares of common stock and thereby increase focus on the Company's share value; (b) motivate, attract and retain the services of key employees and consultants of the Company, upon whose judgment, valuable work and special efforts, the day-to-day and long-term success and development of the business and the operations of the Company are largely dependent; and, (c) encourage long-term commitment of the key employees and consultants of the Company to contribute to the long-term financial success of the Company.

The ESOP is being administered by the Remuneration and Compensation Committee of the BOD. As of December 31, 2014, the Company has not granted any option to its 115 eligible optionees.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

The Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with PAGCOR (see Note 21.2). In April 2013, however, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should any of the following circumstances occur:

(a) The BIR ceases to impose income tax on the licensees, or deletes the provision of RMC 33-2013 which imposes income tax on licensees;

(b) A court restrains or enjoins the BIR from implementing the provisions of RMC 33-2013 which imposes income tax on licensees, during the effectivity of such restraining order or injunction. In the event the court withdraws the temporary restraining order (TRO), or if the TRO expires and is not extended, the 10% ITA shall automatically be reinstated;

(c) A court, by final and executory judgment, nullifies the provision of RMC 33-2013 which imposes income tax on the licensees;

(d) The Philippine Congress amends or revokes the imposition of corporate income tax on PAGCOR and its licensees; or,

(e) Recognition of Entertainment City as a special economic and/or tourism zone with special fiscal incentives for its locators resulting in the same effect as paragraph (d) above.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues, while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government.

In December 2014, the Supreme Court (SC) issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under Presidential Decree (P.D.) No. 1869, as amended, otherwise known as the *PAGCOR Charter*. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as of the audit report date.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure [see Notes 3.1(e), 21.2 and 24.4(e)].

For hotel operations, the Group enjoys an Income Tax Holiday (ITH) on income solely derived from servicing foreign tourists, except for a certain portion of hotel operations where the ITH has expired in 2014 for Maxims and 2013 for Marriott; hence, now subject to the 5% gross income tax (GIT) (see Note 21.3). Remington is still under ITH in 2014 and 2013.

For other sources of income, the Group is subject to the 30% Regular Corporate Income Tax (RCIT) rate. The related income tax expense presented in profit or loss in the consolidated statement of comprehensive income is determined using the liability method of deferred tax accounting described in the succeeding paragraphs.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.24 Equity

Capital stock, which consists of common and preferred shares, represents the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance of shares of stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise accumulated unrealized gains and losses due to the revaluation of AFS financial assets and remeasurements of retirement benefit obligation.

Retained earnings include all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the parent company's shareholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.25 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing the net profit for the period attributable to common shareholders by the weighted average number of common shares issued and outstanding during the period, after giving retroactive effect to any stock dividends declared and stock splits in the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares (see Notes 23.1 and 29).

2.26 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets are not impaired in 2014, 2013 and 2012. However, future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(b) Distinction Between Investment Property and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As of December 31, 2014 and 2013, management determined that its current lease agreements are operating leases.

(d) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions of contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 24.

(e) Income Tax on Gaming Revenues

As discussed fully in Notes 2.22, 21.2 and 24.4(e), the BIR issued RMC 33-2013 in April 2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended. In May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues, while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government.

A development occurred in December 2014, whereby the SC issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as of the audit report date. The Group awaits the final outcome of the said case.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure.

In view of the foregoing, no provision has been recognized in the consolidated financial statements as of the end of the reporting periods for those periods not covered by the ITA measure.

3.2 Key Sources of Estimation Uncertainty

The following are the Group's key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determining Net Realizable Values of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. The Group's inventories, which include perishable goods and operating supplies, are affected by certain factors which may cause inventory losses. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of food and beverages and operating supplies. Both aspects are considered key sources of estimation uncertainty which may cause significant adjustments to the Group's inventories within the next reporting period.

In 2014, 2013 and 2012, no inventory write-down was recognized by the Group as management believes that the carrying value of inventories does not exceed its net realizable value.

(b) Estimating Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and investment property are presented in Notes 11 and 12, respectively. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. In 2014, based on management evaluation, the Group changed the estimated useful life of gaming equipment from five to eight years. There was no other change in estimated useful lives of property and equipment in 2013 and investment property in 2014 and 2013. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers and other counterparties, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

Based on management's evaluation, there were no impairment losses necessary to be recognized on trade and other receivables and advances to related parties in 2014, 2013 and 2012 (see Notes 6 and 22.6).

(d) Fair Value Measurement of Derivative Financial Instruments

Management applies valuation techniques to determine the fair value of the derivative financial instruments where active market quotes are not available.

The determination of the fair value of derivatives is dependent on the selection of certain assumptions used by third party experts in calculating such amounts. Those assumptions include, among others, expected movements in the index cumulative performance as defined in the swap agreement. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Impairment of Non-financial Assets

The Group's policy on estimating the impairment of non-financial assets is discussed in Note 2.18. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on the Group's investments in associates, advances for future investment, property and equipment, investment property, leasehold right and other non-financial assets based on management's evaluation in 2014, 2013 and 2012.

(f) *Determination of Fair Value of Investment Properties*

Investment property is measured using the cost model. The fair value disclosed in Note 12 is determined by the Group based on the appraisal report prepared by independent appraisers using the relevant valuation methodology as discussed in Note 27.4.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect the prices and the value of the assets. As of December 31, 2014 and 2013, the Group determined that there were no significant circumstances that may affect the fair value determination of investment properties.

(g) *Valuation of Retirement Benefit Obligation*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the retirement benefit obligation in the next reporting period. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and the carrying amount of retirement benefits obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 20.2.

(h) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of net deferred tax assets recognized as at December 31, 2014, and 2013 will be utilized in the future.

The carrying amount of the net deferred tax assets as at December 31, 2014 and 2013 is disclosed in Note 21.1.

(i) Determination of Fair Value of Gaming Points and Estimation of Liability for Unredeemed Gaming Points

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Liability for unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into two major business segments – casino and non-casino segments. These components of the Group engaged in business activities from which revenues and expenses, including revenues and expenses that relate to transactions with other component, are reviewed regularly by the ExeCom, acting as the chief operating decision-makers of the Group. The ExeCom makes decisions about resources to be allocated to each of the segments of the Group and assesses its performances, for which discrete financial information is made available to make the decisions.

Presented below is the basis of the Group in reporting its primary segment information.

(a) The Casino segment is engaged in casino operations. This segment includes the operation of Resorts World Manila.

(b) The Non-casino segment includes the operations of various brands of hotels (Maxims, Marriott and Remington), leasing (Newport Entertainment Commercial Center), performing arts theater (Newport Performing Arts Theater), cinema (Newport Cinemas) and other activities which are peripheral to the casino operations.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment. They include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property and equipment and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and borrowings, and notes payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information in 2014, 2013 and 2012 can be analyzed as follows:

	Casino			Non-casino			Total		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012
NET REVENUES									
Sales to external customers	**P25,873,756,380**	P27,469,970,134	P26,370,812,088	**P 3,186,543,242**	P 3,378,058,799	P 3,018,935,304	**P29,060,299,622**	P30,848,028,933	P29,389,747,392
Intersegment sales	**-**	-	-	**293,370,580**	440,294,848	367,421,340	**293,370,580**	440,294,848	367,421,340
Segment revenues	**25,873,756,380**	27,469,970,134	26,370,812,088	**3,479,913,822**	3,818,353,647	3,386,356,644	**29,353,670,202**	31,288,323,781	29,757,168,732
COSTS AND OTHER OPERATING EXPENSES									
Cost of sales, services and expenses excluding depreciation	**17,721,732,365**	20,995,101,547	18,155,579,910	**3,717,838,290**	3,575,565,869	2,431,873,615	**21,439,570,655**	24,570,667,416	20,587,453,525
Depreciation	**1,222,462,969**	490,079,341	556,305,323	**294,265,566**	1,610,416,251	1,153,662,279	**1,516,728,535**	2,100,495,592	1,709,967,602
Finance costs and other charges (income)	**-**	130,577,230	1,022,231,179	**876,729,621**	1,680,401,864	(364,853,861)	**876,729,621**	1,810,979,094	657,377,318
Profit (loss) before tax	**6,929,561,046**	5,854,212,016	6,636,695,676	**(1,408,919,655)**	(3,048,030,337)	165,674,611	**5,520,641,391**	2,806,181,679	6,802,370,287
Tax expense	**-**	-	-	**75,568,162**	66,665,186	68,154,087	**75,568,162**	66,665,186	68,154,087
SEGMENT NET PROFIT (LOSS)	**P 6,929,561,046**	P 5,854,212,016	P 6,636,695,676	**(P 1,484,487,817)**	(P 3,114,695,523)	P 97,520,524	**P 5,445,073,229**	P 2,739,516,493	P 6,734,216,200
ASSETS AND LIABILITIES									
Segment assets	**P 5,481,816,161**	P 6,717,212,817	P 6,099,030,782	**P58,399,656,629**	P54,508,522,735	P41,867,750,538	**P63,881,472,790**	P61,225,735,552	P47,966,781,320
Segment liabilities	**2,397,417,478**	1,295,061,800	3,826,115,375	**22,382,745,941**	26,502,829,504	22,903,861,178	**24,780,163,419**	27,797,891,304	26,729,976,553

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

Revenues to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.4 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2014	2013	2012
Net revenues			
Total segment revenues	**P 29,353,670,202**	P 31,288,323,781	P 29,757,168,732
Elimination of intersegment revenues	**(293,370,580)**	(440,294,848)	(367,421,340)
Revenues as reported in profit or loss	**P 29,060,299,622**	P 30,848,028,933	P 29,389,747,392
Net profit or loss			
Segment net profit	**P 5,445,073,229**	P 2,739,516,493	P 6,734,216,200
Net profit as reported in profit or loss	**P 5,445,073,229**	P 2,739,516,493	P 6,734,216,200
Assets			
Segment assets	**P 63,881,472,790**	P 61,225,735,552	P 47,966,781,320
Total assets reported in the consolidated statements of financial position	**P 63,881,472,790**	P 61,225,735,552	P 47,966,781,320
Liabilities			
Segment liabilities	**P 24,780,163,419**	P 27,797,891,304	P 26,729,976,553
Total liabilities reported in the consolidated statements of financial position	**P 24,780,163,419**	P 27,797,891,304	P 26,729,976,553

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	Note	**2014**	2013
Cash on hand and in banks		**P 11,421,098,159**	P 16,100,998,626
Short-term placements	24.4(c)	**6,435,302,251**	9,674,506,015
		P 17,856,400,410	P 25,775,504,641

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods ranging from 30 to 90 days both in 2014 and 2013, and earn effective interests ranging from 1.3% to 3.4% per annum in 2014, 0.5% to 3.0% per annum in 2013 and 1.8% to 4.7% per annum in 2012.

The balance of Cash and Cash Equivalents does not include investments in time deposits, which are shown under Prepayments and Other Current Assets account in the consolidated statements of financial position. The time deposits amounting to P113.5 million and P111.4 million as at December 31, 2014 and 2013, respectively, have a term of 360 days (see Note 8).

Interest income from Cash and Cash Equivalents and Investments in time deposits for the years ended December 2014, 2013 and 2012 is presented under Finance Income account in the consolidated statements of comprehensive income (see Note 19.2).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2014**	2013
Trade receivables	22.2	**P 639,365,590**	P 854,955,237
Advances to suppliers		**3,418,961,196**	1,372,437,957
Interest receivables		**12,062,191**	12,948,665
Others	11, 22.8, 23.1, 24.6, 24.7	**208,336,639**	802,938,595
		P 4,278,725,616	P 3,043,280,454

All of the Group's trade and other receivables have been reviewed for indications of impairment. Based on this review, all receivables were found to be collectible.

Trade receivables are usually due within 30 days and do not bear any interest. All trade receivables are subject to credit risk exposure.

Advances to suppliers pertain to mobilization funds provided to the Group's suppliers for use primarily in the construction of the Group's buildings and building improvements and are reduced proportionately upon receipt of progress billings from the said suppliers.

7. INVENTORIES

Inventories as at the end of 2014 and 2013 are stated at cost. The details of inventories are shown below.

	2014	2013
Operating supplies	**P 62,643,648**	P 186,339,826
Food and beverage	**12,509,176**	14,873,941
Others	**1,897,209**	6,028,263
	P 77,050,033	P 207,242,030

Others include membership program items representing supplies and other inventory items of the Group's loyalty and membership program, which are differentiated from membership privileges based on the patron's gaming activities.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Note	2014	2013
Prepayments		**P 288,831,476**	P 111,902,801
Input VAT		**264,028,206**	44,762,180
Investments in time deposits	5	**113,450,465**	111,438,992
Others		**40,569,538**	16,841,863
		P 706,879,685	P 284,945,836

Prepayments include prepaid flight hours, taxes, insurance and rentals, which are expected to be realized in the next reporting period.

Investments in time deposits are made for a period of 360 days and earn effective interest of 1.25% in 2014, 3.5% in 2013 and 2012.

9. INVESTMENTS IN ASSOCIATES

The movements in the carrying value of Investments in Associates account as of December 31, which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

	2014	2013
Balance at beginning of year	**P 156,250,000**	P 156,250,000
Additional investments during the year	**836,997,711**	-
Share in net loss of an associate	**(40,168,131)**	-
Balance at end of year	**P 953,079,580**	P 156,250,000

In 2014, the Company made additional investments in MBPHI amounting to P837.0 million. The carrying amount of investments in MBPHI as of December 31, 2014 and 2013 amounted to P953.1 million and P156.3 million, respectively.

In 2014, the Group sold its investment in GSTAI for a total consideration of P5.0 million to a related party under common ownership (see Notes 1 and 22.9). Investment in GSTAI is carried at nil in the 2013 consolidated statement of financial position as a result of the accumulated share in net losses recognized to the extent of the original cost of the investment [see Note 2.3(b)]. The related gain on sale of investment in GSTAI, which represents the excess of consideration received over the carrying amount of the investment, is presented as Reversal of accumulated share of net losses in an associate under the Other Operating Income account in the 2014 consolidated statement of comprehensive income (see Note 18).

10. ADVANCES FOR FUTURE INVESTMENT

Advances for future investment pertain to the advances made by the Group in 2014 to PAGCOR in connection with the development of Site A of the Entertainment City Project in accordance with the Provisional License Agreement with PAGCOR [see Note 24.4(c)]. The amount paid by the Group consists of advance payment amounting to P2.0 billion and upfront cash of P0.6 billion to fulfill the future investment. Also in 2014, the Group accepted the turnover and/or delivery of possession of the property from PAGCOR [see Note 24.4(c)]. Management remains committed to fulfill the investment as of December 31, 2014.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment at the beginning and end of 2014 and 2013 are shown below.

	Land	Buildings and Building Improvements	Gaming Machines and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
December 31, 2014							
Cost	P 6,657,424,421	P 16,383,577,417	P 3,085,575,885	P 216,482,063	P 3,256,233,852	P 10,876,837,292	P 40,476,130,930
Accumulated depreciation	-	(2,565,069,687)	(1,786,118,993)	(84,997,044)	(2,339,731,992)	-	(6,775,917,716)
Net carrying amount	**P 6,657,424,421**	**P 13,818,507,730**	**P 1,299,456,892**	**P 131,485,019**	**P 916,501,860**	**P 10,876,837,292**	**P 33,700,213,214**
December 31, 2013							
Cost	P 6,609,355,421	P 16,258,288,571	P 2,621,113,930	P 1,671,858,982	P 3,018,570,487	P 5,080,532,096	P 35,259,719,487
Accumulated depreciation	-	(1,992,529,251)	(1,522,972,851)	(664,511,745)	(1,879,057,633)	-	(6,059,071,480)
Net carrying amount	P 6,609,355,421	P 14,265,759,320	P 1,098,141,079	P 1,007,347,237	P 1,139,512,854	P 5,080,532,096	P 29,200,648,007
December 31, 2012							
Cost	P 6,609,355,421	P 15,973,713,774	P 2,190,552,692	P 1,526,032,455	P 2,591,118,900	P 947,612,630	P 29,838,385,872
Accumulated depreciation	-	(1,201,712,230)	(1,048,411,288)	(488,601,460)	(1,291,172,703)	-	(4,029,897,681)
Net carrying amount	P 6,609,355,421	P 14,772,001,544	P 1,142,141,404	P 1,037,430,995	P 1,299,946,197	P 947,612,630	P 25,808,488,191

A reconciliation of the carrying amounts at the beginning and end of 2014 and 2013 of property and equipment is shown below.

	Land	Buildings and Building Improvements	Gaming Machines and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
Balance at January 1, 2014, net of accumulated depreciation	P 6,609,355,421	P 14,265,759,320	P 1,098,141,079	P 1,007,347,237	P 1,139,512,854	P 5,080,532,096	P 29,200,648,007
Additions	48,069,000	125,617,665	469,184,657	2,411,741	251,600,047	5,796,305,196	6,693,188,306
Disposals	-	-	-	(739,640,071)	-	-	(739,640,071)
Depreciation charges for the year	-	(572,869,255)	(267,868,844)	(138,633,888)	(474,611,041)	-	(1,453,983,028)
Balance at December 31, 2014, net of accumulated depreciation	**P 6,657,424,421**	**P 13,818,507,730**	**P 1,299,456,892**	**P 131,485,019**	**P 916,501,860**	**P 10,876,837,292**	**P 33,700,213,214**
Balance at January 1, 2013, net of accumulated depreciation	P 6,609,355,421	P 14,772,001,544	P 1,142,141,404	P 1,037,430,995	P 1,299,946,197	P 947,612,630	P 25,808,488,191
Additions	-	398,629,341	430,561,238	173,183,670	427,451,588	4,598,457,646	6,028,283,484
Transfer to investment property	-	(109,628,558)	-	-	-	(229,995,990)	(339,624,548)
Disposal/ Transfer	-	-	-	(23,206,845)	-	(235,542,190)	(258,749,035)
Depreciation charges for the year	-	(795,243,007)	(474,561,563)	(180,060,583)	(587,884,931)	-	(2,037,750,084)
Balance at December 31, 2013, net of accumulated depreciation	P 6,609,355,421	P 14,265,759,320	P 1,098,141,079	P 1,007,347,237	P 1,139,512,854	P 5,080,532,096	P 29,200,648,007

Construction in progress pertains to the accumulated costs incurred on the casino and hotel sites being constructed as part of the Group's investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 24.4(c)].

Total property and equipment includes capitalized borrowing costs amounting to P348.5 million and P222.4 million in 2014 and 2013, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained to fund the construction project. The capitalization rate used was 4.6% in 2014 and 3.6% in 2013 (see Note 14).

In 2014, the Group authorized the sale of the aircraft (included as part of Transportation equipment), which was sold to a third party in the same year for the net proceeds of P640.6 million. The loss on sale amounting to P81.1 million from this transaction is presented as part of Miscellaneous under General and Administrative Expenses account in the 2014 consolidated statement of comprehensive income (see Note 17). There was no outstanding receivable arising from this transaction as of December 31, 2014.

The Group also sold certain transportation equipment to a third party for a total consideration of P23.5 million and P25.0 million in 2014 and 2013, respectively. The related gain on sale is recognized as part of Other Operating Income in the consolidated statement of comprehensive income (see Note 18) while the outstanding receivable is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

In 2013, prior to the acquisition of RWBCI by the Company, the Company transferred certain portion of construction in progress at cost amounting to P235.5 million to RWBCI (see Note 22.8). No gain or loss was recognized from this transaction. The related receivable is presented as part of Others under Trade and Other Receivables account in the 2013 consolidated statement of financial position, which was collected in full in 2014 (see Note 6).

Also, in 2013, the Group transferred certain portion of buildings and building improvements and construction in progress amounting to P339.6 million from Property and Equipment to Investment Property as the Company leased out the property under an operating lease agreement (see Note 12).

The amount of depreciation is allocated as follows (see Note 17):

	2014	2013	2012
Direct costs	**P 464,129,367**	P 734,261,516	P 664,335,341
General and administrative expenses	**989,853,661**	1,303,488,568	993,511,671
	P 1,453,983,028	P 2,037,750,084	P 1,657,847,012

In 2013 and prior years, the Group's aircraft, with carrying amount of P828.1 million as at December 31, 2013, which is presented as part of Transportation equipment under Property and Equipment account in the 2013 consolidated statement of financial position was used as a collateral for a certain interest-bearing loan, which was fully paid in the first quarter of 2014 (see Note 14).

12. INVESTMENT PROPERTY

The Group's investment property mainly consists of buildings and building improvements primarily held to earn rentals under operating leases. Rental income amounting to P349.7 million, P280.1 million and P253.1 million in 2014, 2013 and 2012, respectively, are presented as part of Rentals under the Other Operating Income in the consolidated statements of comprehensive income (see Note 18). Direct costs incurred, generally pertaining to depreciation charges, amounting to P62.7 million each in 2014 and 2013, and P52.1 million in 2012, are presented as part of the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17).

The net carrying amounts of investment property as at the beginning and end of 2014 and 2013 are shown below.

	December 31, 2014	December 31, 2013	January 1, 2013
Cost	**P 1,892,772,408**	P 1,892,772,408	P 1,548,721,874
Accumulated depreciation	**(284,648,424)**	(221,902,917)	(154,731,424)
	P 1,608,123,984	P 1,670,869,491	P 1,393,990,450

A reconciliation of the carrying amounts of investment property at the beginning and end of 2014 and 2013 is shown below.

	Notes	**2014**	2013
Balance at January 1, net of accumulated depreciation		**P 1,670,869,491**	P 1,393,990,450
Transfer from property and equipment	11	**-**	339,624,548
Depreciation charges for the year	17	**(62,745,507)**	(62,745,507)
Balance at December 31, net of accumulated depreciation		**P 1,608,123,984**	P 1,670,869,491

In the latest appraisal report, the Group's investment property, which is part of Site B, has an aggregate fair market value of P16.1 billion. Fair value is determined using the income capitalization approach, which uses a financial modeling technique based on explicit assumptions regarding the prospective cash flow from the properties. Under this method, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the properties.

Other information about the fair value measurement and disclosures related to the investment property are presented in Note 27.4.

13. OTHER NON-CURRENT ASSETS

The composition of this account is shown below.

	Notes	**2014**	2013
Leasehold right	24.2	**P1,000,000,000**	P -
Refundable deposits		**108,270,667**	87,084,316
Accumulated jackpot seed money		**85,625,000**	57,125,000
Miscellaneous	14, 22.4	**534,244,179**	519,746,157
		P1,728,139,847	P 663,955,473

In 2014, the Group entered into a lease agreement with NPF covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties (see Note 2.8). Upon effectivity of the lease agreement, the Group has paid NPF an advance rental amounting to P1.0 billion (presented as Leasehold right) covering the first 20 years of the lease (see Note 24.2). There was no amortization recognized in 2014 as the lease agreement was entered into close to the end of the reporting period and the amount of amortization is not significant during such year. The Group will amortize the leasehold right starting 2015 until 2034.

Leasehold right is subject to annual impairment testing and whenever there is an indication of impairment. No impairment loss was recognized in 2014 as the carrying amount of the leasehold right approximates its fair value.

Refundable deposits and Accumulated jackpot seed money are perpetual in nature. Hence, the carrying amounts of these financial assets are reasonable estimation of their respective fair values.

Miscellaneous non-current assets as at December 31, 2014 and 2013 include P437.9 million advance payment made by the Company to a related party under common ownership for the purchase of certain condominium units (including parking lots) to be used by in-house entertainers and for future employee housing program (see Note 22.4). Also included in this account is the upfront fee for the term loan credit facilities entered into in 2012 by the Company with two financial institutions amounting to P71.5 million (see Note 14).

14. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings pertain to bank loans from domestic banks. The composition of the Group's outstanding bank loans as at December 31, 2014 and 2013 is shown below.

	Balance	Interest Rate	Nature	Maturity/Term
2014:				
	P225.0 million	Floating at 2% + benchmark	Unsecured	December 2016
2013:				
	P4.5 billion	Fixed at 2% + benchmark	Unsecured	December 2016
	U.S. $3.2 million	Floating at a minimum of 3.0%	Secured	November 2014

The interest-bearing loans and borrowings are classified in the consolidated statements of financial position as follows:

	2014	2013
Current portion of long-term loans	**P -**	P 1,603,268,951
Non-current portion of long-term loans	**216,923,061**	2,968,477,555
	P 216,923,061	P 4,571,746,506

In 2011, the Group entered into a term loan agreement with a local bank for a total commitment of P11.0 billion. As at December 31, 2013, the Company has drawn P4.5 billion from this unsecured facility to settle its other secured loans from the same bank at the same amount (see Note 24.8). Principal amortization amounting to P375.0 million every quarter was due starting March 2014. In 2014, the Company prepaid P4.2 billion of the outstanding loan balance. The remaining balance as of December 31, 2014 and 2013, net of unamortized capitalized transaction costs, is presented as Interest-bearing Loans and Borrowings account in the current and non-current liabilities section of the consolidated statements of financial position.

In 2012, the Group entered into a U.S. $250.0 million term loan facility agreement with two financial institutions (see Note 24.8). The Group may utilize the facility for financing and supporting the capital expenditures, fund investments and general corporate purposes. In order to facilitate the credit line, the Group paid an upfront fee. As no drawdown has yet been made on the credit facility in 2014 and 2013, the total payment for upfront fee amounting to P71.5 million was capitalized as part of Miscellaneous under the Other Non-current Assets account in the consolidated statements of financial position as at December 31, 2014 and 2013 (see Note 13).

The U.S. $3.2 million (P142.1 million) loan outstanding as of December 31, 2013 is secured by a mortgage over an aircraft, which is reported as part of Transportation equipment under the Property and Equipment account in the 2013 consolidated statement of financial position (see Note 11), assignment of receivables and other income from the proposed block charter between the Company and APEC, assignment of insurance over the aircraft and unconditional and irrevocable guarantee of the Company. In this regard, the Company entered into a guarantee contract with the creditor bank whereby it guarantees that the principal amount and related interests will be paid as the payments fall due. The loan was fully paid in the first quarter of 2014 (see Notes 11 and 24.5).

Total finance costs attributable to these loans, including amortization of capitalized transaction costs, amounted to P71.1 million, P124.6 million and P91.4 million in 2014, 2013 and 2012, respectively, and are presented as part of Interest expense under the Finance Costs account in the consolidated statements of comprehensive income (see Note 19.1). Unpaid interests as at December 31, 2014 and 2013 are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15). Total capitalized borrowing costs, net of related investment income from the temporary investment of the borrowings, amounted to P348.5 million and P222.4 million in 2014 and 2013, respectively. The capitalization rate used was 4.6% in 2014 and 3.6% in 2013 (see Note 11).

In addition, certain creditor banks require the Group to maintain a debt service coverage ratio of at least 1.50:1.00 and debt-equity ratio of not higher than 2.50:1.00. The Group has complied with loan covenants, including maintaining certain financial ratios, as at the reporting dates.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2014**	2013
Trade payables	22.2, 22.5	**P 2,456,931,079**	P 2,999,991,412
License fee payables	21.2	**2,188,749,650**	578,926,247
Accrued expenses:			
Advertising		**607,851,941**	665,613,194
Employee benefits		**363,872,801**	392,509,988
Interest	14, 16	**183,226,943**	167,959,625
Contract services		**173,100,214**	157,654,488
Rental		**129,868,840**	137,743,190
Casino operating expenses		**105,302,320**	100,287,924
Repairs and maintenance		**93,624,216**	74,715,933
Utilities		**60,500,452**	69,459,111
Management fees	22.7, 24.3	**40,437,041**	65,050,245
Donation	24.4(d)	**33,201,809**	35,589,548
Flight operations		**17,053,743**	263,477,947
Others	22.3	**173,646,639**	161,564,206
Retention payables		**397,131,628**	186,508,876
Liability for unredeemed gaming points		**330,516,956**	590,043,790
Withholding taxes		**257,727,578**	149,587,094
Miscellaneous		**687,476,199**	515,836,692
		P 8,300,220,049	P 7,312,519,510

Trade payables include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips in custody or under the Company's control.

The liability for unredeemed gaming points represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group.

Retention payables represent a portion of progress billings received from contractors for the construction work performed which is retained by the Group to bind contractors in completing the agreed tasks.

Employee benefits under Accrued expenses include the current portion of the Group's obligations to its current and former employees that is expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrued salaries and other employee benefits at the end of the reporting period.

Other accrued expenses include accruals for local and overseas travel, training and recruitment, dues and subscription, and other operating expenses.

Miscellaneous items mainly consist of unreleased checks which are reverted back to cash and liability at the end of the reporting period. These unreleased checks generally clear through the banks in the month immediately after the end of the reporting period. These also include government and tax-related liabilities.

16. NOTES PAYABLE

On November 3, 2010, the Company issued U.S. $300.0 million (equivalent to P13.4 billion and P13.3 billion as at December 31, 2014 and 2013, respectively) notes that will mature in 2017 and with nominal interest of 6.9% per annum, payable semi-annually in arrears on May 3 and November 3 of each year commencing on May 3, 2011. The notes bear an annual effective interest rate of 7.2%. The note issuance was approved by the Company's BOD on August 29, 2010.

Subject to certain exceptions, the Company may, at its option, redeem the notes as follows:

(a) in full at a price of 100.0% of the principal if certain changes in laws, treaties, regulations or rulings affecting taxes would require the Company to pay certain additional amount; and,

(b) at any time prior to November 3, 2014, up to 35.0% of the principal amount at a price of 106.9% of the principal amount with the net cash proceeds of an equity offering.

Also, the Company is required to make an offer to purchase the notes at a price of 101.0% of the principal amount following a change in control, an example of which is the sale or other disposition of all or substantially all of the properties or assets of the Company to any person or entity.

The notes, among other things, restrict the Company ability to:

(a) incur or guarantee additional indebtedness;
(b) create or incur certain liens;
(c) make certain payments, including dividends or other distributions, with respect to the shares of the Company or its subsidiaries;
(d) prepay or redeem subordinated debt or equity;
(e) make certain investments and capital expenditures;
(f) create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Company;
(g) sell, lease or transfer certain assets, including shares of stock of subsidiaries;
(h) engage in certain transactions with affiliates;
(i) enter into unrelated businesses or engage in prohibited activities; or,
(j) consolidate or merge with other entities.

All of these limitations will be subject to significant exceptions and qualifications as defined in the terms and conditions of the notes, which are listed on the Singapore Exchange Securities Trading Limited. There were no violations of these limitations in 2014, 2013 and 2012.

The net proceeds amounting to U.S. $292.3 million (P13.0 billion) from the issuance of the notes, after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issue of the notes, are intended to finance capital and project expenditures, to refinance certain existing indebtedness, and for general corporate purposes.

Interest expense on the notes payable, including amortization of capitalized transaction costs, amounted to P870.5 million, P1.1 billion and P1.0 billion in 2014, 2013 and 2012, respectively, and are presented as part of Interest expense under Finance Costs account in the consolidated statements of comprehensive income (see Note 19.1). Outstanding interest payable as at December 31, 2014 and 2013 amounting to P182.7 million and P154.2 million, respectively, are presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

On January 18, 2011, the Company's BOD authorized the Company to enter into a liability swap agreement involving floating-rate coupons with a certain bank at a notional amount of U.S. $250.0 million of the notes. In accordance with the interest rate swap agreement, the Company receives a certain amount of fixed semi-annual interest and the bank receives floating semi-annual interest based on an index cumulative performance specifically defined by the bank.

Based on the mark-to-market valuation report, the Company recognized the losses on change in value of the related derivative financial liability amounting to P36.4 million, P112.8 million and P368.6 million in 2014, 2013 and 2012, respectively, and presented as Unrealized loss on interest rate swap under Finance Costs account in the consolidated statements of comprehensive income (see Note 19.1). Total payments amounted to P318.3 million in 2014 and P300.7 million in 2013. The related liability is presented as Derivative Liability in the consolidated statements of financial position.

17. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature in 2014 are shown below.

	Notes	Direct Costs	General and Administrative Expenses	Total
General marketing	22.2	P -	P 6,621,547,675	P 6,621,547,675
Gaming license fees	21.2	6,203,179,668	-	6,203,179,668
Salaries, wages and employee benefits	20	2,285,336,439	1,100,519,139	3,385,855,578
Depreciation	11, 12	464,129,367	1,052,599,168	1,516,728,535
Food and beverage		814,692,992	-	814,692,992
Casino operating expenses		485,916,735	-	485,916,735
Management fees	22.3, 22.7 24.3	-	402,665,835	402,665,835
Repairs and maintenance		-	391,150,306	391,150,306
Donations and contributions	24.4(d)	-	311,019,838	311,019,838
Utilities and communication		-	287,919,341	287,919,341
Professional services		-	262,147,291	262,147,291
Rentals		59,030,827	199,358,657	258,389,484
Supplies		183,082,357	74,387,090	257,469,447
Transportation and travel		-	177,964,888	177,964,888
Entertainment, amusement and recreation		170,790,956	-	170,790,956
Taxes and licenses		-	130,350,673	130,350,673
Commission		-	115,199,446	115,199,446
Security		-	113,178,669	113,178,669
Flight operations		73,616,115	-	73,616,115
Dues and subscriptions		-	69,363,212	69,363,212
Miscellaneous	11	15,394,183	598,387,743	613,781,926
		P10,755,169,639	**P 11,907,758,971**	**P 22,662,928,610**

This compares to the operating expenses incurred in 2013 as follows:

	Notes	Direct Costs	General and Administrative Expenses	Total
General marketing	22.2	P -	P 8,054,377,010	P 8,054,377,010
Gaming license fees	21.2	6,506,213,809	-	6,506,213,809
Salaries, wages and employee benefits	20	2,484,948,613	1,346,375,835	3,831,324,448
Depreciation	11, 12	734,261,516	1,366,234,076	2,100,495,592
Food and beverage		773,266,107	-	773,266,107
Utilities and communication		-	728,417,440	728,417,440
Management fees	22.3, 22.7 24.3	-	649,312,320	649,312,320
Casino operating expenses		494,391,194	-	494,391,194
Entertainment, amusement and recreation		472,324,723	-	472,324,723
Repairs and maintenance		-	360,485,814	360,485,814
Donations and contributions	24.4(d)	-	341,689,093	341,689,093
Supplies		237,563,967	102,872,247	340,436,214
Rentals		78,731,122	250,759,511	329,490,633
Professional services		-	304,624,578	304,624,578
Flight operations		265,121,683	-	265,121,683
Security		-	121,728,418	121,728,418
Commission		-	113,740,831	113,740,831
Transportation and travel		-	98,985,880	98,985,880
Taxes and licenses		-	89,575,761	89,575,761
Dues and subscription		-	26,051,397	26,051,397
Miscellaneous		60,896,770	167,918,445	228,815,215
		P12,107,719,504	P14,123,148,656	P 26,230,868,160

This compares to the operating expenses incurred in 2012 as follows:

	Notes	Direct Costs	General and Administrative Expenses	Total
General marketing	22.2	P -	P 6,503,236,733	P 6,503,236,733
Gaming license fees	21.2	6,185,726,261	-	6,185,726,261
Salaries, wages and employee benefits	20	1,693,226,312	1,081,360,165	2,774,586,477
Depreciation	11, 12	664,335,341	1,045,632,261	1,709,967,602
Management fees	22.3, 22.7 24.3	-	726,969,758	726,969,758
Utilities and communication		-	716,304,616	716,304,616
Food and beverage		653,857,977	-	653,857,977
Donations and contributions	24.4(d)	-	574,806,843	574,806,843
Supplies		232,785,578	77,437,219	310,222,797
Professional services		-	201,269,935	201,269,935
Rentals		66,330,830	133,800,220	200,131,050
Repairs and maintenance		-	194,709,716	194,709,716
Casino operating expenses		145,790,604	-	145,790,604
Entertainment, amusement and recreation		106,188,082	-	106,188,082
Transportation and travel		-	81,549,849	81,549,849
Taxes and licenses		-	80,171,912	80,171,912
Security		-	73,342,635	73,342,635
Commission		-	69,717,083	69,717,083
Dues and subscriptions		-	30,321,658	30,321,658
Miscellaneous		362,897,309	228,230,890	591,128,199
		P10,111,138,294	P11,818,861,493	P21,929,999,787

18. OTHER OPERATING INCOME

The breakdown of this account is as follows:

	Notes	**2014**	2013	2012
Rentals	12, 24.1	**P 397,556,871**	P 321,043,503	P 291,702,499
Cinema		**126,043,734**	152,293,386	144,978,502
Productions shows		**110,772,733**	131,304,951	193,741,449
Parking		**105,657,919**	88,726,442	97,371,036
Commissions		**31,643,984**	35,686,720	30,377,010
Bingo		**27,094,881**	-	-
Laundry		**15,172,783**	16,527,279	13,387,015
Arcade		**9,296,282**	22,965,867	29,057,351
Gain on sale of property and equipment	11	**5,480,470**	1,823,976	-
Reversal of accumulated share of net losses in an associate	9	**5,000,000**	-	-
Others		**88,654,034**	105,188,034	80,095,242
		P 922,373,692	P 875,560,158	P 880,710,104

Others include revenues from limousine, spa and other service charges.

19. OTHER INCOME (CHARGES)

19.1 Finance Costs

The details of this account are as follows:

	Notes	2014	2013	2012
Interest expense	14, 16, 20.2	**P 947,384,181**	P 1,226,431,676	P 1,056,904,123
Unrealized loss on interest rate swap	16, 25.1(c)	**36,405,850**	112,842,001	368,646,466
Foreign currency losses – net		**33,691,612**	693,982,431	-
Bank charges		**9,224,581**	3,538,456	4,567,773
		P 1,026,706,224	P 2,036,794,564	P 1,430,118,362

19.2 Finance Income

The breakdown of this account is as follows:

	Note	2014	2013	2012
Interest income	5	**P 190,144,735**	P 225,815,470	P 212,108,499
Foreign currency gains – net		**-**	-	560,632,545
		P 190,144,735	P 225,815,470	P 772,741,044

20. EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits Expense

Details of salaries and employee benefits are presented below (see also Notes 17 and 22.7).

	Note	2014	2013	2012
Short-term employee benefits		**P 3,382,200,769**	P 3,805,270,111	P 2,754,438,406
Retirement benefit expense	20.2	**23,654,809**	26,054,337	20,148,071
		P 3,385,855,578	P 3,831,324,448	P 2,774,586,477

20.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Group has not yet established a formal retirement plan. However, it is required to pay qualified employees retirement benefits under R.A. 7641, which relates to a defined benefit plan. The Group obtains actuarial valuation to determine the balance of retirement benefit obligation and the amount of retirement benefit expense in accordance with PAS 19 (Revised) and the provisions of R.A. 7641.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made periodically to update the retirement benefit costs. All amounts presented below are based on the actuarial valuation reports obtained from an independent actuary in 2014 and 2013.

The present value of the retirement benefit obligation amounted to P118.8 million and P83.7 million as at December 31, 2014 and 2013, respectively, and is presented as Retirement Benefit Obligation in the consolidated statements of financial position.

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2014	2013
Balance at beginning of year	**P 83,677,770**	P 102,951,396
Current service cost	**23,654,809**	26,054,337
Interest expense	**5,793,562**	4,008,136
Remeasurements –		
Actuarial losses (gains) arising from:		
Experience adjustments	**(20,957,937)**	9,644,174
Changes in demographic assumptions	**18,374,487**	(70,404,186)
Changes in financial assumptions	**8,270,460**	11,423,913
Balance at end of year	**P 118,813,151**	P 83,677,770

The components of amounts recognized in profit or loss and other comprehensive income in respect of the retirement benefit obligation are as follows:

	Notes	**2014**	2013	2012
Reported in profit and loss:				
Current service cost	20.1	**P 23,654,809**	P 26,054,337	P 20,148,071
Interest expense	19.1	**5,793,562**	4,008,136	5,509,148
		P 29,448,371	P 30,062,473	P 25,657,219

	2014	2013	2012
Reported in other comprehensive income –			
Actuarial losses (gains) arising from:			
Experience adjustments	**(P 20,957,937)**	P 9,644,174	P -
Changes in demographic assumptions	**18,374,487**	(70,404,186)	-
Changes in financial assumptions	**8,270,460**	11,423,913	-
	P 5,687,010	(P 49,336,099)	P -

The amounts of retirement benefit expense recognized in profit or loss are presented as part of the General and Administrative Expenses (for current service cost) and the Finance Costs (for interest expense) accounts in the consolidated statements of comprehensive income (see Notes 17 and 19.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	2014	2013	2012
Discount rate	**4.54% - 5.00%**	5.00% - 5.24%	7.30%-8.02%
Expected rate of salary increase	**4.00%**	4.00%	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 26 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Benefit Obligation

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the retirement benefit obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the participants during and employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the participants will result in an increase in the retirement benefit obligation.

(iii) Inflation Risk

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement benefit obligation are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit:

December 31, 2014:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 100 basis points	(P 13,765,393)	P 12,437,065
Salary growth rate	+/- 100 basis points	11,825,247	(10,948,332)

December 31, 2013:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 100 basis points	(P 6,620,634)	P 7,641,485
Salary growth rate	+/- 100 basis points	6,995,334	(6,216,587)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contributions

The Group's management is yet to determine when it shall establish a formal plan to fund its retirement benefit obligation as at December 31, 2014.

The expected maturity of undiscounted expected benefits payments within the next ten years as of December 31, 2014 and 2013 is as follows:

	2014	2013
Within one year	**P 1,407,566**	P 1,146,786
More than one to five years	**8,080,366**	16,527,489
More than five years to ten years	**133,351,084**	68,333,041
	P 142,839,016	P 86,007,316

On the other hand, the weighted average duration of the retirement benefit obligation at the end of the reporting period is 22.6 years.

21. TAXES

21.1 Current and Deferred Taxes

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are as follows:

	2014	2013	2012
Reported in profit or loss			
Current tax expense:			
Minimum corporate income tax (MCIT) at 2%	**P 160,964,941**	P 17,533,198	P 19,450,868
Final tax at 20% and 7.5%	**36,448,691**	44,118,751	44,036,103
GIT at 5%	**17,161,215**	3,987,056	-
RCIT at 30%	**8,803,710**	6,546,739	9,044,621
	223,378,558	72,185,744	72,531,592
Deferred tax expense (income) arising from origination and reversal of temporary difference	**(147,810,396)**	(5,520,558)	(4,377,505)
	P 75,568,162	P 66,665,186	P 68,154,087
Reported in other comprehensive income (loss)			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 1,532,871)**	P 13,362,162	P -

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Tax on pretax profit at 30%	**P 1,656,192,417**	P 841,854,504	P 2,040,711,087
Adjustment for income subjected to lower tax rates	**(106,400,807)**	(43,453,544)	(16,420,246)
Tax effects of:			
Non-taxable income	**(7,807,541,377)**	(8,432,102,201)	(8,102,340,275)
Non-deductible expenses	**5,958,529,825**	6,789,332,349	5,718,016,277
Unrecognized deferred tax asset (DTA) on net operating loss carryover (NOLCO)	**431,912,729**	781,515,941	546,357,779
Unrecognized DTA on other temporary differences	**72,229,992**	112,386,188	(137,621,403)
Unrecognized DTA on MCIT	**15,105,366**	17,533,198	19,450,868
Utilization of NOLCO	**-**	(401,249)	-
	P 75,568,162	P 66,665,186	P 68,154,087

As at December 31, 2014 and 2013, the Group has deferred tax assets amounting to P15.7 million and P12.4 million, respectively, arising from the retirement benefit obligation recognized in the books of BLMI, GSI and GVMSI. The Company also recognized deferred tax assets amounting to P145.9 million arising from MCIT paid on gaming operations due to the 10% ITA measure and prior to the SC Decision in December 2014 (see Note 21.2).

The Group did not recognize the deferred tax assets on other deductible temporary differences as management has assessed that it may not be able to realize their related tax benefits. As of the end of the reporting periods, the total unrecognized deferred tax assets relate to the following:

	2014		2013	
	Amount	**Tax Effect**	Amount	Tax Effect
NOLCO	**P 3,500,491,628**	**P 1,050,147,488**	P 4,803,680,885	P1,441,104,266
Unrealized loss in interest rate swap	**856,134,049**	**256,840,215**	1,137,998,386	341,399,516
Retirement benefit obligation	**55,937,712**	**16,781,314**	47,776,089	14,332,827
MCIT	**52,089,432**	**52,089,432**	53,464,185	53,464,185
Unrealized foreign currency losses – net	**45,480,627**	**13,644,188**	12,578,916	3,773,675
	P 4,510,133,447	**P1,389,502,637**	P6,055,498,461	P1,854,074,469

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2014	P 1,439,709,097	P -	P -	P 1,439,709,097	2017
2013	2,605,053,137	549,872,998	-	2,055,180,139	2016
2012	1,821,241,273	1,815,638,881	-	5,602,392	2015
2011	378,723,969	378,552,424	171,545	-	2014
	P 6,244,727,476	P2,774,064,303	P 171,545	P 3,500,491,628	

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Expired Balance	Remaining Balance	Valid Until
2014	P 160,964,941	P	P 160,964,941	2017
2013	17,533,198	-	17,533,198	2016
2012	19,450,868	-	19,450,868	2015
2011	16,480,119	16,480,119	-	2014
	P 214,429,126	P 16,480,119	P 197,949,007	

The Group opted to claim itemized deductions in computing for its income tax due for the reporting periods.

21.2 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, the Company is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by the Company to PAGCOR as required under the Provisional License Agreement. Total license fees recognized amounted to P6.2 billion, P6.5 billion and P6.2 billion in 2014, 2013 and 2012, respectively, and are presented as Gaming license fees as part of Direct Costs in the consolidated statements of comprehensive income (see Note 17). The outstanding liabilities are presented as License fee payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

Sections 13.2(a) and (b) of P.D. No. 1869, as amended, otherwise known as the PAGCOR Charter, grants PAGCOR an exemption from tax of any kind or form, income or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR from its operation under its franchise.

The PAGCOR Charter further provides that the tax exemption granted to PAGCOR shall inure to the benefit of and extend to entities with whom PAGCOR has any contractual relationship in connection with the operation of casinos. Pursuant thereto, the Provisional License Agreement entered into by the Company with PAGCOR included a provision on license fees in lieu of all taxes with reference to the income component of the gross gaming revenues. As such, the Company remits to PAGCOR the 25% and 15% license fees and does not pay any other taxes on its gaming revenues.

In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should any of the following circumstances occur:

(a) The BIR ceases to impose income tax on the licensees, or deletes the provision of RMC 33-2013 which imposes income tax on the licensees;

(b) A court restrains or enjoins the BIR from implementing the provisions of RMC 33-2013 which imposes income tax on licensees, during the effectivity of such restraining order or injunction. In the event the court withdraws the TRO, or if the TRO expires and is not extended, the 10% ITA shall automatically be reinstated;

(c) A court, by final and executory judgment, nullifies the provision of RMC 33-2013 which imposes income tax on the licensees;

(d) The Philippine Congress amends or revokes the imposition of corporate income tax on PAGCOR and its licensees; or,

(e) Recognition of Entertainment City as a special economic and/or tourism zone with special fiscal incentives for its locators resulting in the same effect as paragraph (d) above.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government. It is neither intended to modify, amend or revise the Provisional License Agreement, specifically Article IV Section 20 on License Fees, nor is it an admission by PAGCOR or the Company of the validity of RMC 33-2013 or a waiver of any of the remedies available to PAGCOR or its licensees against any assessment on income tax on gaming revenues pursued by BIR.

In 2014, the Company received a Formal Assessment Notice (FAN) assessing the Company for deficiency tax in the aggregate amount of P2.4 billion, inclusive of interest and penalties, for the taxable year 2010. The assessment stems from BIR's interpretation of RMC 33-2013 which subjected the Company's gaming revenues to RCIT. The Company timely filed its Request for Reinvestigation protesting the assessment for the lack of any legal and/or factual basis.

Also in 2014, the Company received a Final Decision on Disputed Assessment (FDDA) from the BIR, which maintained the assessment of income tax on the Company's gaming revenues. The Company also timely filed its Request for Reconsideration of FDDA with the Office of the Commissioner of Internal Revenue (CIR). The Company is now awaiting the decision of the CIR on the request.

On December 10, 2014, the SC en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as of the audit report date. The Group awaits the final outcome of the said case.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure [see Notes 2.22, 3.1(e) and 24.4(e)].

In view of the foregoing, no provision has been recognized in the financial statements as of the end of the reporting periods for those periods not covered by the ITA measure [see Note 24.4(e)].

21.3 Registration with the Philippine Economic Zone Authority (PEZA)

The Company was registered with the PEZA on December 16, 2008 as a Tourism Economic Zone Enterprise as owner of 178 rooms in Maxims and 342 rooms in Marriott in the Newport City Cybertourism Zone. In 2012, Remington Hotel and the Newport Entertainment and Commercial Centre were also registered with the PEZA. As a PEZA-registered enterprise, the Company is entitled to certain tax incentives which include:

(a) ITH for four years on income solely derived from servicing foreign tourists. Upon expiry of the ITH period, the Company shall pay the 5% GIT, in lieu of all national and local taxes, provided that the Company shall have the option to forego the ITH incentive entitlement and immediately avail of the 5% GIT incentive upon the start of commercial operations subject to the Company's submission to PEZA of its Board Resolution on said waiver of the ITH incentive; and,

(b) Tax and duty-free importation of capital requirement for use in the technical viability and operation of the registered activity of the Company.

In 2014 and 2013, certain portion of the Company's hotel operations under the ITH has expired. Accordingly, the Company recognized the related GIT, which is presented as part of current tax expense in the profit or loss section of the consolidated statements of comprehensive income (see Note 21.1).

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, companies under common ownership, associates, the Company's key management personnel and others as described in the below and in the succeeding pages.

22.1 Summary of Related Party Transactions

The summary of the Group's transactions and outstanding balances with its related parties is as follows:

Related Party Category	Notes	Amount of Transaction 2014	2013	2012	Outstanding Balance 2014	2013
Related Parties Under Common Ownership:						
Advance subscription	22.6	**P -**	(P 89,939,150)	P 91,189,150	**P 1,250,000**	P 1,250,000
Obtaining of cash advances - net of repayments	22.6	**(77,348,136)**	(140,055,311)	(17,210,470)	**(234,613,917)**	(157,265,781)
Management fees	22.3	**41,782,820**	33,623,683	42,002,171	**(72,649,299)**	(30,866,479)
Granting of cash advances	22.6	**19,417,819**	5,174,689	(74,126,652)	**57,151,683**	37,733,864
Purchase of land	22.5	**-**	-	2,212,943,000	**-**	(570,298,250)
Prepayment of condominium units	22.4	**-**	-	-	**437,866,850**	437,866,850
Transfer of property and equipment	22.8	**-**	235,542,190	-	**-**	235,542,190
Sale of investment in GSTAI	22.9	**5,000,000**	-	-	**-**	-
Stockholders:						
Casino transactions	22.2	**7,941,612,756**	9,911,409,089	8,722,105,033	**289,395,342**	329,046,155
Incidental rebate charges	22.2	**1,946,203,700**	2,653,102,036	2,522,926,974	**(168,093,697)**	(331,528,281)
Management fees	22.7	**315,469,747**	562,848,779	631,335,697	**(31,711,184)**	(23,996,555)
Associate -						
Obtaining of advances	22.6	**(1,673,995,439)**	-	-	**(1,673,995,439)**	-
Officers and employees:						
Key management compensation	22.7	**203,118,061**	285,480,710	286,430,557	**(6,021,247)**	(6,080,034)
Granting of cash advances	22.6	**(20,261,692)**	56,513,247	44,666,781	**101,467,699**	121,738,390
Others -						
Obtaining of advances - net of repayments	22.6	**(51,959)**	(361,978)	(388,222)	**(4,651,563)**	(4,703,522)

No impairment loss is recognized for the reporting periods on the outstanding balances from related parties in relation to these transactions.

22.2 International Marketing and Joint Co-operation Agreement with GHL

In 2009, the Company entered into an international marketing agreement with GHL whereby the related party will handle the promotion of the Company's casinos to the international market and will bring in foreign patrons to play in the Company's casinos. As a consideration for such service, the Company shall pay the related party an amount equivalent to a certain percentage of gross gaming revenues recognized by the Company from foreign patrons brought in by GHL.

In 2012, the Company and GHL terminated the international marketing agreement and executed a joint co-operation agreement to revise the consideration for the services of GHL to the Company from a certain percentage of gross gaming revenues to a certain percentage of net turnover.

Incidental rebate charges arising from this transaction are presented as part of General marketing under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17). The outstanding balances of payables are presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group also recognized outstanding receivables from GHL representing show money received by GHL from foreign patrons which the related party will later remit to the Group. The outstanding balances of receivables are presented as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

22.3 Management Agreement with a Related Party

On July 19, 2010, the Company entered into a Management Agreement with a related party under common ownership, whereby the latter shall provide management services to the Company, such as the handling of billings to and collections from tenants, and overall administration of the Company's leasing operations. As a consideration for such services, the Company shall pay the related party based on certain rates of collection, plus commission. Consideration for the services rendered by the related party is presented as part of Management fees under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17). The outstanding balance of management fees are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

22.4 Advance Payments to a Related Party

On September 15, 2011, the Company entered into a contract to buy and sell with a related party under common ownership, wherein the Company shall purchase condominium units from the latter to be used by in-house entertainers and for future employee housing program. Total consideration paid by the Company amounted to P437.9 million, which is presented as part of Miscellaneous under the Other Non-current Assets account in the consolidated statements of financial position (see Note 13).

22.5 Acquisition of Land from a Related Party

In 2012, the Company entered into two contracts with a related party under common ownership for the purchase of parcels of land for a total purchase price of P2.2 billion. The purchase price is payable through down payments at the time of purchase with the remaining balance payable in 36 equal monthly installments. As of December 31, 2014 and 2013, the unpaid balance of these purchases of parcels of land amounted to nil and P570.3 million, respectively. The current portion of the unpaid balance amounting to P553.2 million as at December 31, 2013 is presented as part of Trade payables under Trade and Other Payables account (see Note 15) while the non-current portion amounting to P17.1 million as at December 31, 2013 is presented as part of Other Non-current Liabilities account in the 2013 consolidated statement of financial position.

22.6 Advances to and from Related Parties

In the normal course of business, the Group obtains from and grants unsecured, noninterest-bearing, cash advances to its related parties for working capital requirements and other purposes. The details of Advances to Related Parties account as at December 31 are as follows:

	2014	2013
Officers and employees	**P 101,467,699**	P 121,738,390
Others	**58,401,682**	38,983,864
	P 159,878,381	P 160,722,254

The changes in Advances to Related Parties account are shown below.

	2014	2013
Balance at beginning of year	**P 160,722,254**	P 188,973,468
Additions	**902,557,983**	367,799,745
Repayments	**(903,401,856)**	(396,050,959)
Balance at end of year	**P 159,878,381**	P 160,722,254

The Advances from Related Parties account as of December 31 is composed of the following:

	2014	2013
MBPHI	**P1,673,995,439**	P -
Star Cruises	**234,613,917**	157,265,781
Others	**4,651,563**	4,703,522
	P1,913,260,919	P 161,969,303

The changes in Advances from Related Parties account are shown below.

	2014	2013
Balance at beginning of year	**P 161,969,303**	P 21,552,014
Additions	**1,995,654,987**	248,619,994
Repayments	**(244,363,371)**	(108,202,705)
Balance at end of year	**P1,913,260,919**	P 161,969,303

In 2014, RWBCI obtained advances from MBPHI amounting to P1.7 billion for the development of Site A of the Entertainment City Project, which remains outstanding as of December 31, 2014 and is presented as part of Advances from Related Parties account in the 2014 consolidated statement of financial position.

The advances to and from related parties have no fixed repayment terms and are generally payable in cash on demand, or through offsetting arrangements with the related parties. Parties agreed that costs, if any, arising from those transactions shall be shouldered by the Group.

22.7 Operations and Management Agreement with GHL/Key Management Personnel Compensation

Some of the Group's administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17). The outstanding liability arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The compensation of other key management personnel which is presented as part of Salaries, wages and employee benefits under the General and Administrative Expenses account in the consolidated statements of comprehensive income is broken down as shown below (see Notes 17 and 20.1).

	2014	2013	2012
Short-term benefits	P 201,707,338	P 316,355,384	P 281,366,598
Retirement benefit expense	1,410,723	2,272,335	5,063,959
	P 203,118,061	P 318,627,719	P 286,430,557

22.8 Transfer of Construction in Progress

In 2013, prior to acquisition of RWBCI by the Company, the Company transferred certain portion of construction in progress at cost to RWBCI. Related receivable is presented as part of Others under Trade and Other Receivables account in the 2013 consolidated statement of financial position, which was collected in full in 2014 (see Notes 6 and 11).

22.9 Sale of Investment in GSTAI

In 2014, the Company sold its investment in GSTAI to a related party under common ownership (see Note 9). There is no outstanding receivable arising from this transaction in 2014.

23. EQUITY

23.1 Capital Stock

Capital stock consists of:

	2014		2013	
	Number of Shares	Amount	Number of Shares	Amount
Preferred A – P0.10 par value				
Authorized	73,000,000,000	P 7,300,000,000	73,000,000,000	P7,300,000,000
Issued	73,000,000,000	P 7,300,000,000	73,000,000,000	P7,300,000,000
Treasury shares – at cost	(73,000,000,000)	(7,300,000,000)	(73,000,000,000)	(7,300,000,000)
Total outstanding	-	-	-	-
Preferred B – P0.01 par value				
Authorized	20,000,000,000	P 200,000,000	20,000,000,000	P 200,000,000
Issued	20,000,000,000	P 200,000,000	20,000,000,000	P 200,000,000
Treasury shares – at cost	(10,000,000,000)	(100,000,000)	(10,000,000,000)	(100,000,000)
Total outstanding	10,000,000,000	100,000,000	10,000,000,000	100,000,000
Common – P0.10 par value				
Authorized	25,000,000,000	P 2,500,000,000	100,000,000	P 100,000,000
Issued	25,000,000,000	P 2,500,000,000	25,000,000,000	P2,500,000,000
Treasury shares – at cost	(9,244,125,150)	(924,412,515)	(9,244,125,150)	(924,412,515)
Total outstanding	15,755,874,850	1,575,587,485	15,755,874,850	1,575,587,485
		P 1,675,587,485		P1,675,587,485

On June 8, 2013, the Company approved the reclassification of its authorized capital from P10.0 billion divided into 9.9 billion voting, participating and reissuable preferred shares, redeemable at the option of the Company, and 100 million common shares, both with a par value of P1.0 per share, into P10.0 billion divided into 25 billion common shares with par value of P0.10 per share, 73 billion redeemable, non-voting, non-participating and reissuable preferred A shares with par value of P0.10 per share; and, 20 billion redeemable, voting, participating and reissuable preferred B shares with par value of P0.01 per share. All the preferred shares are convertible into common shares and redeemable at the option of the Company under such terms and conditions as may be determined by the Company. The reclassification was subsequently approved by the SEC on June 26, 2013. On March 12, 2014, the SEC approved another amendment to the Company's articles of incorporation to delete the convertibility feature of its preferred A and preferred B shares.

Also, on June 8, 2013, the Company's BOD approved the reissuance of 10.0 billion preferred B shares previously held under treasury at par value or P100.0 million. The preferred B shares are entitled to receive dividends at a rate, price, amount of participation, and other terms and conditions to be fixed by the Company prior to the dividend issue date. The unpaid portion of the reissue price representing subscription receivable of P75.0 million is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

On November 5, 2013 and December 6, 2013, the Company issued through Initial Public Offering (IPO) 1,573,222,300 common shares and exercised its over-allotment option of 23,645,550 common shares, respectively, at an issue price of P11.28 per common share. Such issuances resulted to an increase in APIC of P16.6 billion, which is net of IPO-related expenses of P1.3 billion.

The Company's loan agreement with a local bank provides that the Company shall not acquire or retire capital stock, or distribute asset to stockholders prior to the amortization of the credit facility obtained from the local bank. In November 2010, the Company requested for the waiver of such provision which was approved by the local bank.

As of December 31, 2014, there are 41 holders of the listed common shares owning at least one board lot of 100 shares. All shares of common stock of the Company are listed on the PSE. Such listed shares closed at P8.20 per share as of December 29, 2014 (the last trading day in 2014).

23.2 Retained Earnings

The Company's loan agreement with a local bank provides that the Company shall not declare or pay cash dividends to stockholders prior to the amortization of the credit facility obtained from the local bank. On May 20, 2013, the Company requested for the waiver of such provision which was approved by the local bank. Accordingly, the Company's BOD approved cash dividends which are summarized below.

Date of Declaration	Date of Record	Date of Payment	Amount
May 24, 2013	March 31, 2013	September 30, 2013	P 6,140,700,000
September 30, 2013	July 31, 2013	February 4, March 26 and April 1, 2014	1,299,210,000
			P 7,439,910,000

The cash dividends amounting to P1.3 billion is presented as Dividends Payable in the 2013 consolidated statement of financial position and was fully paid in 2014. No dividends were declared in 2014.

The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

23.3 Revaluation Reserves

The components and reconciliation of items of other comprehensive income (loss) presented in the consolidated statements of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	AFS Financial Assets	Retirement Benefit Obligation	Total
Balance as of January 1, 2014	P 16,158,350	P 30,446,252	P 46,604,602
Remeasurements of retirement benefit obligation	P -	(P 5,687,010)	(P 5,687,010)
Fair value lossess on AFS financial assets	(3,220,000)	-	(3,220,000)
Tax income	-	1,532,871	1,532,871
Other comprehensive loss after tax	(3,220,000)	(4,154,139)	(7,374,139)
Balance as of December 31, 2014	**P 12,938,350**	**P 26,292,113**	**P 39,230,463**
Balance as of January 1, 2013	P 15,916,350	(P 5,527,685)	P 10,388,665
Remeasurements of retirement benefit obligation	P -	P 49,336,099	P 49,336,099
Fair value gains on AFS financial assets	242,000	-	242,000
Tax expense	-	(13,362,162)	(13,362,162)
Other comprehensive income after tax	242,000	35,973,937	36,215,937
Balance as of December 31, 2013	P 16,158,350	P 30,446,252	P 46,604,602

24. COMMITMENTS AND CONTINGENCIES

24.1 Operating Lease Commitment – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office, commercial and other spaces. The leases have terms ranging from three to seven years, with renewal options, and include annual escalation rate of 3% to 10%. The future minimum lease receivables under these non-cancellable operating leases as at the December 31 are as follows:

	2014	2013
Within one year	**P 243,712,238**	P 200,514,163
After one year but not more than five years	**165,942,374**	201,038,967
More than five years	**100,422,079**	26,858,347
	P 510,076,691	P 428,411,477

Total rentals from these operating leases in 2014, 2013 and 2012 amounted to P349.7 million, P280.1 million and P253.1 million, respectively, and presented as part of Rentals under Other Operating Income account in the consolidated statements of comprehensive income (see Note 18).

24.2 Operating Lease Commitment – Group as Lessee

The Group is a lessee under a non-cancellable operating lease agreement covering certain parcels of land. The lease has a term of 25 years, renewable for another 25 years, and includes escalation rate of 5% every five years. The Group made advance rentals in 2014 amounting to P1.0 billion covering the first 20 years of the lease (see Note 13). The future minimum lease payments under this non-cancellable operating lease for the remaining five years of the lease term amounted to P151.4 million as of December 31, 2014.

24.3 Various Agreements with the Marriott Group

(a) Management Agreement

The Group and Marriott International B.V. (MHI) entered into a management agreement whereby the Group shall engage MHI to supervise, direct and control the management and operation of first-class, full service international hotel (the Hotel) on Site B.

(b) Technical Service Agreement

The Group also entered into a technical service agreement with Marriott International Design and Construction Services Inc. (MIDCS), whereby MIDCS will provide certain technical services in an advisory capacity during the course of the design and construction of the Hotel for the purpose of ensuring that the Hotel shall be planned, designed, constructed, furnished and equipped to Marriott's standards and in accordance with time schedules and design documents approved by MIDCS.

(c) International Services Agreement

The Group entered into an International Services Agreement with the International Hotel Licensing Company S.A.R.L. (IHLC). Under the terms of the agreement, IHLC shall perform certain services in support of the Hotel outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of Hotel employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

(d) License and Royalty Agreements

The Company entered into License and Royalty Agreement with Marriott International Licensing Company B.V. (MILC) whereby the latter shall grant to the Company a nonexclusive and nontransferable right and license within Metro Manila to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with the Hotel.

Payments to be made by the Company shall be computed based on the provisions of the above agreements. Total amounts recognized from these transactions in 2014, 2013 and 2012 totaled P56.0 million, P52.8 million and P53.6 million, respectively, and are presented as part of Management fees under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 17). Outstanding liability as at December 31, 2014, and 2013 amounted to P8.6 million and P10.2 million, respectively, and is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

24.4 Provisional License Agreement with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License authorizing the Company to participate in the development of a portion of certain entertainment sites (Site A and Site B), which is part of a larger scale integrated tourism project envisioned by the PAGCOR, and to establish and operate casinos, and engage in gambling activities in Sites A and B (collectively referred to as the Project). The term of the Company's License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033 and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Debt–Equity Ratio Requirement

The Provisional License Agreement provides, among others, that the Company's License may be revoked or suspended upon failure of the Company to comply with the 70% Debt – 30% Equity ratio requirement of PAGCOR (see Note 28). As at December 31, 2014 and 2013, the Company is in compliance with this provision.

(b) Accession of RWBCI to the Provisional License

On March 18, 2013, the Company and RWBCI entered into a deed of accession (the Deed of Accession), which was accepted, agreed and consented to by PAGCOR. Pursuant to the Deed of Accession, RWBCI acceded to the rights, title, interests and obligations of the Company under the Provisional License and other relevant agreements with PAGCOR. Accordingly, PAGCOR recognized and included RWBCI as a co-licensee and co-holder of the Provisional License and other relevant agreements with PAGCOR.

Further, on June 10, 2013, the Company and RWBCI entered into a cooperation agreement (the Cooperation Agreement) which designates the parties' respective rights, interests and obligations under the Provisional License and other relevant agreements with PAGCOR. Specifically, the parties agreed that RWBCI would have all the rights and obligations under the Provisional License with respect to Site A and that the Company would have all the rights and obligations with respect to Site B.

Accordingly, on June 28, 2013, PAGCOR issued an Amended Certificate of Affiliation and Provisional License certifying the Company and RWBCI as co-licensees and co-holders of the Provisional License and other relevant agreements with PAGCOR. As co-licensees and co-holders, the Company and RWBCI are bound by certain investment commitments [see Note 24.4(c)].

(c) Investment Commitments

As required by the Provisional License Agreement, the Company and RWBCI are required to complete its U.S. $1.32 billion (about P58.9 billion) investment commitment in phases, wherein the amount is divided into Site A and Site B with the minimum investment of U.S. $1.1 billion (about P49.1 billion) and U.S. $216.0 million (about P9.6 billion), respectively [see Note 24.4(c)]. The cost of the Project includes land acquisition costs, costs related to securing development rights, construction, equipment, development costs, financing costs and all other expenses directly related to the completion of the Project (see Note 11).

The Group is required to fully invest and utilize in the development of the Project at least 40% of the respective phases of the investment commitment for Site A and Site B within two years from Site Delivery.

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014 (see Note 10), PAGCOR approved a revised project implementation plan for the Bayshore City Resorts World Project with the following salient features:

a. The pre-construction activities and site development have commenced on October 1, 2014 and is estimated to be completed in the fourth quarter of 2018; and,

b. The estimated total investment cost for the Project is U.S. $1.1 billion (about P49.1 billion).

RWBCI held the groundbreaking rites for Bayshore City Resorts World at Site A on October 1, 2014.

As a requirement in developing the aforementioned Project, the Company transferred U.S. $100.0 million (about P4.5 billion) to an escrow account with a universal bank mutually agreed by PAGCOR and the Company. At any given time, the escrow account shall have a maintaining balance of not lower than U.S. $50.0 million (about P2.2 billion) (see Note 5). If the funds fall below the maintaining balance at any given time, the Company is allowed a 15-day grace period to achieve the maintaining balance, failure in which will cause the Company to be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar day period, or a fraction thereof, until the balance is maintained. All funds for the development of the Project shall pass through the escrow deposit and all drawdowns of funds therefrom must be applied to the Project.

As at December 31, 2014, the Company has spent P40.4 billion for its casino projects pursuant to its investment commitment under the Provisional License Agreement.

The Company has short-term placements amounting to U.S. $65.7 million (P2.9 billion) as at December 31, 2014 and 2013 to meet its requirements with PAGCOR in relation to the Company's investment commitments (see Note 5).

(d) Requirement to Establish a Foundation

The Company, with the approval of PAGCOR, is required to incorporate and register a foundation for the restoration of cultural heritage not later than 60 days from the signing of the License Agreement. In compliance with the said requirement, Manila Bayshore Heritage Foundation, Inc. (or the Foundation) was incorporated in the Philippines on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by the Company by setting aside funds on a monthly basis. The funds set aside shall be remitted to the Foundation on or before the 10th day of the succeeding month. The Company recognized accrual based on 2% of total gross gaming revenues from non-junket tables.

The Foundation undertakes certain construction and school projects in partnership with the Philippine Department of Education upon receipt of notice to proceed from PAGCOR. The Foundation's activities commenced in 2013 with one school project each for Pasay and Parañaque Cities. In 2014, the Foundation entered into a similar construction and school project with Pasay City upon receipt of notice to proceed from PAGCOR in the same year. As of December 31, 2014, all three construction and school projects have not yet been completed.

As of December 31, 2014, the Company accordingly remitted to the Foundation the donation dues for the current and prior years. Donations made to the Foundation are recorded as part of Donations and Contributions under General Administrative account in the consolidated statements of comprehensive income (see Note 17). The outstanding liability as at December 31, 2014 and 2013 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

(e) Tax Contingencies of Casino Operations

As more fully discussed in Notes 2.22, 3.1(e) and 21.2, in May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

On December 10, 2014, the SC en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as of the audit report date. The Group awaits the final outcome of the said case.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure.

In view of the foregoing, no provision has been recognized in the consolidated financial statements as of the end of the reporting periods for those periods not covered by the ITA measure.

24.5 Financial Guarantee

In 2010 and 2009, APEC obtained two tranches of interest-bearing loans with an original amount of U.S. $8.0 million (P355.3 million) each, from a local bank to partially repay the Company for amounts it advanced to APEC relating to APEC's purchase of an aircraft. In 2009, the Company entered into a guarantee contract with the local bank whereby it guarantees that the principal amount and related interests will be paid as the payments fall due. The outstanding balance of APEC's loan as at December 31, 2013 amounted to P142.1 million and is presented as part of Interest-bearing Loans and Borrowings account under Current Liabilities section of the 2013 consolidated statement of financial position (see Note 14). The loan was fully paid in the first quarter of 2014.

24.6 Commitment to Purchase Shares of Stock

In 2012, the Company and a related party under common ownership entered into an agreement wherein the Company committed itself to purchase shares of stock of said related party in another entity subject to the fulfillment of various conditions. Upon signing of the agreement, the Company paid the related party a portion of the total consideration. As at December 31, 2012, the conditions under the agreement have not yet been completely fulfilled.

In February 2013, the Company made further payments in connection with the said agreement. However, in March 2013, the Company decided to no longer pursue the agreement. Thus, the Company assigned all of its rights, interests and obligations emanating from the earlier agreement to a third party for the consideration of full reimbursement of all payments earlier made and assumption of all obligations under the agreement. No gain or loss was recognized by the Company in connection with the assignment of its rights, interests and obligations as the consideration is equivalent to the payments made by the Company in connection with the earlier agreement. Related receivable is presented as part of Others under Trade and Other Receivables account in the 2013 consolidated statement of financial position, which was collected in full in 2014 (see Note 6).

24.7 Participation in the Incorporation of Entertainment City Estate Management, Inc. (ECEMI)

As a PAGCOR licensee, the Company committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2014 and 2013, contributions made to ECEMI booked in favor of the Company amounted to P2.1 million and is presented as part of Others under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

24.8 Others

As at December 31, 2014 and 2013, the Group has unused letters of credit with a certain local bank amounting to P6.5 billion (see Note 14).

In 2012, the Group obtained a similar facility from certain financial institutions. Unused letter of credit with these financial institutions amounted to U.S. $250.0 million (P11.2 billion) as at December 31, 2014 and 2013 (see Note 14).

Also, the Group in the normal course of its business makes various commitments and incurs certain contingent liabilities which are not reflected as at the end of the reporting periods in the consolidated financial statements. Management believes that losses, if any, that may arise from these commitments and contingencies will not have any material effects on the consolidated financial statements.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 26. The main types of risks are market risk (foreign currency, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

25.1 Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency-denominated Cash and Cash Equivalents, Trade and Other Receivables, Interest-bearing Loans and Borrowings, Trade and Other Payables, Notes Payable and Derivative Liability, which are primarily denominated in U.S. dollar (USD) and Hong Kong dollar (HKD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate, are as follows:

	2014			
	USD	**PHP Equivalent**	**HKD**	**PHP Equivalent**
Financial assets	**$ 52,200,570**	**P 2,329,032,836**	**$ 333,947,482**	**P 1,912,550,620**
Financial liabilities	**(325,537,085)**	**(14,524,488,125)**	**(117,212,011)**	**(671,284,910)**
	($ 273,336,515)	**(P 12,195,455,289)**	**$ 216,735,471**	**P 1,241,265,710**
	2013			
	USD	PHP Equivalent	HKD	PHP Equivalent
Financial assets	$ 23,325,204	P 1,035,965,597	$ 235,251,272	P 1,347,307,562
Financial liabilities	(324,532,539)	(14,413,788,167)	(112,225,045)	(642,724,055)
	($ 301,207,335)	(P 13,377,822,570)	$ 123,026,227	P 704,583,507

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against foreign currencies exchange rates:

Increase (decrease) in exchange rate	**2014**		2013	
	USD	**HKD**	USD	HKD
P 1	**(P 273,336,515)**	**P 216,735,471**	(P 301,207,335)	P 123,026,227
(P 1)	**273,336,515**	**(216,735,471)**	301,207,335	(123,026,227)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. There are no exposures on foreign exchange rates that affect other comprehensive income. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2014 and 2013, the Group is exposed to changes in market interest rates through Cash and Cash Equivalents and certain Interest-bearing Loans and Borrowings, which are subject to variable interest rates (see Notes 5 and 14). All other interest-bearing financial assets and liabilities have fixed rates.

The following illustrates the sensitivity of the Group's profit before tax to a reasonably possible change in interest rates of +/-1.88 % and +/- 1.22% for Philippine pesos in 2014 and 2013, respectively. These percentage changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's consolidated financial instruments held at the end of each reporting periods, with effect estimated from the beginning of period. All other variables are held constant, if interest rate increased by 1.88% in 2014 and 1.22% in 2013, profit before tax in 2014 would have increased by P238.0 million while profit before tax in 2013 would have increased by P285.4 million. Conversely, if the interest rate decreased by the same percentages, profit before tax would have been lower by the same amounts in 2014 and 2013.

(c) Other Price Risk

The Group is exposed to other price risk in respect of its liability swap agreement involving floating rate coupons since the Group's payments are based on cumulative performance of an index specifically agreed with the bank (see Note 16).

The Group's sensitivity to other price risk in regards to the said liability swap agreement cannot be reliably determined due to numerous uncertainties regarding the future cumulative performance of the index against the backdrop of current issues in the global economy. The Group has recognized unrealized loss on this derivative transaction amounting to U.S. $0.8 million (P36.4 million), U.S. $2.5 million (P112.8 million) and U.S. $8.9 million (P368.6 million) in 2014, 2013 and 2012, respectively (see Note 19.1).

25.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, and placing deposits.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements) as summarized below.

	Notes	**2014**	2013
Cash and cash equivalents	5	**P 17,856,400,410**	P 25,775,504,641
Trade and other receivables (except Advances to suppliers)	6	**859,764,420**	1,670,842,497
Advances to related parties	22.6	**159,878,381**	160,722,254
Investments in time deposits	5, 8	**113,450,465**	111,438,992
Refundable deposits	13	**108,270,667**	87,084,318
Accumulated jackpot seed money	13	**85,625,000**	57,125,000
		P 19,183,389,343	P 27,862,717,702

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) *Cash and Cash Equivalents and Investments in Time Deposits*

The credit risk for cash and cash equivalents and investments in time deposits is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

(b) *Trade and Other Receivables*

In respect of trade and other receivables, the Group has significant outstanding receivables from related parties. Based on historical information about default rates and financial condition of the related parties, management considers the credit quality of these receivables to be good.

(c) *Advances to Related Parties and Refundable Deposits*

The Group is not exposed to any significant credit risk on its advances to and refundable deposits from related parties with good credit standing. Accordingly, management considers the credit quality of advances to and refundable deposits from related parties to be good.

(d) *Accumulated Jackpot Seed Money*

In respect of accumulated jackpot seed money, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties because of the Group's diversified profile of patrons.

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting periods are of good credit quality. There are no significant financial assets which are past due but not impaired as at the end of the reporting periods.

25.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

This compares to the contractual maturities of the Group's financial liabilities as of December 31, 2014 as follows:

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P -	P -	P 224,659,150
Trade and other payables (except tax-related liabilities and liability for unredeemed gaming points)	7,739,972,521	-	-
Advances from related parties	1,913,260,919	-	-
Notes payable	461,785,950	461,785,950	13,272,204,433
Derivative liability	-	-	869,818,108
Other non-current liabilities	-	-	146,729,480
	P10,115,019,390	**P 461,785,950**	**P 14,513,411,171**

As at December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 887,708,343	P 875,008,332	P 3,102,390,065
Trade and other payables (except tax-related liabilities and liability for unredeemed gaming points)	6,572,888,626	-	-
Dividends payable	1,299,210,000	-	-
Notes payable	459,684,900	459,684,900	15,853,327,412
Advances from related parties	161,969,303	-	-
Derivative liability	-	-	1,145,961,938
Other non-current liabilities	-	-	121,818,390
	P 9,381,461,172	P 1,334,693,232	P20,223,497,805

The contractual maturities reflect the gross cash flows which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

26. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below and in the succeeding page.

		2014		2013	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 17,856,400,410**	**P 17,856,400,410**	P 25,775,504,641	P 25,775,504,641
Trade and other receivables	6	**859,764,420**	**859,764,420**	1,670,842,497	1,670,842,497
Advances to related parties	22.6	**159,878,381**	**159,878,381**	160,722,254	160,722,254
Investments in time deposits	5, 8	**113,450,465**	**113,450,465**	111,438,992	111,438,992
Refundable deposits	13	**108,270,667**	**108,270,667**	87,084,318	87,084,318
Accumulated jackpot seed money	13	**85,625,000**	**85,625,000**	57,125,000	57,125,000
		P 19,183,389,343	**P 19,183,389,343**	P 27,862,717,702	P 27,862,717,702
AFS financial assets		**P 63,160,000**	**P 63,160,000**	P 49,880,000	P 49,880,000
Financial liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	14	**P 216,923,061**	**P 216,923,061**	P 4,571,746,506	P 4,571,746,506
Trade and other payables	15	**7,739,972,521**	**7,739,972,521**	6,572,888,626	6,572,888,626
Dividends payable	23.2	-	**-**	1,299,210,000	1,299,210,000
Advances from related parties	22.6	**1,913,260,919**	**1,913,260,919**	161,969,303	161,969,303
Notes payable	16	**13,209,060,653**	**13,209,060,653**	13,095,218,012	13,095,218,012
Other non-current liabilities		**146,729,480**	**146,729,480**	121,818,390	121,818,390
		P 24,095,764,742	**P 24,095,764,742**	P 25,822,850,837	P 25,822,850,837
At FVTPL – Derivative liability	16	**P 869,818,108**	**P 869,818,108**	P 1,145,961,938	P 1,145,961,938

See Notes 2.5 and 2.11 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 25.

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2014 and 2013 and does not have relevant offsetting arrangements, except as disclosed in Note 22.6. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 22 can be potentially offset to the extent of their corresponding outstanding balances.

27. FAIR VALUE MEASUREMENT AND DISCLOSURES

27.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those financial assets and financial liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

27.2 Financial Instruments Measurement at Fair Value

Golf club and other club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market and not considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. In 2014 and 2013, the Company acquired additional investments in AFS financial assets amounting to P16.5 million and P9.1 million, respectively.

The fair value of these shares decreased by P3.2 million in 2014 and increased by P0.2 million and P12.4 million in 2013 and 2012, respectively, which are presented as Net Unrealized Fair Value Gains (Losses) on Available-for-sale Financial Assets in other comprehensive income (loss) section of the consolidated statements of comprehensive income. Amounts recognized in Other Comprehensive Income (Loss) were included within item that will be reclassified subsequently to profit or loss. Accumulated fair value gains on AFS financial assets is presented as part of Revaluation Reserves account in the consolidated statements of financial position.

The fair value of derivative liability is measured at inputs other than quoted prices that are indirectly observable for the liability and is categorized within Level 2. These fair values are derived from prices set in the derivative contract.

There were no transfers across the levels of the fair value hierarchy in both years.

27.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statement of financial position but for which fair value is disclosed.

December 31, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 17,856,400,410	P -	P -	P 17,856,400,410
Trade and other receivables	-	-	859,764,420	859,764,420
Advances to related parties	-	-	159,878,381	159,878,381
Investment in time deposits	113,450,465	-	-	113,450,465
Refundable deposits	-	-	108,270,667	108,270,667
Accumulated jackpot seed money	-	-	85,625,000	85,625,000
	P17,969,850,875	**P -**	**P 1,213,538,468**	**P 19,183,389,343**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 216,923,061	P 216,923,061
Trade and other payables	-	-	7,739,972,521	7,739,972,521
Advances from related parties	-	-	1,913,313,531	1,913,313,531
Notes payable	-	-	13,209,060,653	13,209,060,653
Other non-current liabilities	-	-	146,694,844	146,694,844
	P -	**P -**	**P 23,225,964,610**	**P 23,225,964,610**

December 31, 2013:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 25,775,504,641	P -	P -	P 25,775,504,641
Trade and other receivables	-	-	1,670,842,497	1,670,842,497
Advances to related parties	-	-	160,722,254	160,722,254
Investment in time deposits	111,438,992	-	-	111,438,992
Refundable deposits	-	-	87,084,318	87,084,318
Accumulated jackpot seed money	-	-	57,125,000	57,125,000
	P 25,886,943,633	P -	P 1,975,774,069	P 27,862,717,702
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 4,571,746,506	P 4,571,746,506
Trade and other payables	-	-	6,572,888,626	6,572,888,626
Dividends payables	-	-	1,299,210,000	1,299,210,000
Advances from related parties	-	-	161,969,303	161,969,303
Notes payable	-	-	13,095,218,012	13,095,218,012
Other non-current liabilities	-	-	121,818,390	121,818,390
	P -	P -	P 25,822,850,837	P 25,822,850,837

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

27.4 Fair Value for Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment property (see Note 12) was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as location and neighborhood, access and transportation, infrastructure, land particulars, shape and topography, zoning and planning, environmental and other relevant considerations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment property is their current use.

As of December 31, 2014, the fair value of the Group's investment property is classified in Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a 15-year discounted cash flow model with 16th year reversion value. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. For the investment property, the approach involves the projection of the discounting revenues, outgoing expenses over the future 15 years with reference to the anticipated revenues. The reversion value at the 16th year is capitalized at an appropriate capitalization rate to determine the terminal value of the asset. The adopted capitalization for the asset may reflect the quality and market position of the asset at the end of the cash flow. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern entity and to provide an adequate return to stockholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is for the Company to maintain a debt – equity structure of not higher than 70% debt – 30% equity ratio [see Note 24.4(a)]. Capital of the Company for the reporting periods and the computation of debt – equity structure as at December 31, 2014, 2013 and 2012 are summarized below.

	2014	2013	2012
Total debt from financing:			
Interest-bearing loans and borrowings	**P 216,923,061**	P 4,429,621,706	P 6,892,666,708
Notes payable	**13,209,060,653**	13,095,218,012	12,098,888,653
Advances from related parties	**266,705,259**	230,446,802	162,600,602
	13,692,688,973	17,755,286,520	19,154,155,963
Total equity	**39,689,016,750**	33,951,949,487	21,606,916,848
Debt-equity ratio	**26% – 74%**	34% – 66%	47% – 53%

The ratios as at December 31, 2014, 2013 and 2012 are in line with the Company's Provisional License Agreement with PAGCOR [see Note 24.4(a)].

The Group sets the amount of capital in proportion to its overall financing structure, i.e., total equity and total debt from financing. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

29. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2014	2013	2012
Basic:			
Net profit attributable to Parent company's shareholders	**P 5,444,886,834**	P 2,739,516,493	P 6,734,216,200
Divided by weighted average number of outstanding common shares	**15,755,874,850**	8,942,227,983	1,000,000,000
	P 0.35	P 0.31	P 6.73
Diluted:			
Net profit attributable to Parent company's shareholders	**P 5,444,886,834**	P 2,739,516,493	P 6,734,216,200
Divided by weighted average number of outstanding common shares and potential dilutive common shares	**15,755,874,850**	14,775,561,317	1,000,000,000
	P 0.35	P 0.19	P 6.73

For the year ended December 31, 2013, there are 4.4 billion potential dilutive common shares representing the weighted average number of the Company's 10.0 billion outstanding preferred B shares convertible into common shares. On March 12, 2014, the SEC approved the amendment to the Company's articles of incorporation whereby the Company's preferred A and preferred B shares, previously convertible into common shares, became non-convertible preferred shares, hence, the shares are no longer potentially dilutive shares (see Note 23.1). In relation to the approved ESOP for key executive officers, there are no potentially dilutive shares since the Company has not granted any share options to its eligible optionees (see Note 2.20). There were no potentially dilutive shares as at December 31, 2014.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

A. Statement of Management's Responsibility for the Financial Statements

B. Independent Auditors' Report on the SEC Supplementary Schedules Filed Separately from the Basic Financial Statements

C. Schedule of Financial Indicators for December 31, 2014 and 2013

D. List of Supplementary Information

Supplementary Schedules to Financial Statements (Form 17-A, Item 7)

TRAVELLERS
INTERNATIONAL

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

The management of **Travellers International Hotel Group, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the year ended **December 31, 2014 (including the comparative figures for the years ended December 31, 2013 and 2012)**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors, appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following

Signature : **DAVID CHUA MING HUAT**
Chairman

Signature : **KINGSON SIAN**
President and Chief Executive Officer

Signature : **BERNARD THAN BOON TEONG**
Chief Financial Officer

Signed this _____ day of _________

REPUBLIC OF THE PHILIPPINES)

PASAY CITY) S.S.

SUBSCRIBED AND SWORN to before me this 19th day of March 2015 in Pasay City, affiants exhibiting to me the following as competent evidence of their identity:

NAME	**COMPETENT EVIDENCE OF IDENTITY**
DAVID CHUA MING HUAT	Passport No. A26767418 valid until 12 December 2017
KINGSON U. SIAN	Passport No. EB7369260 valid until 11 February 2018
BERNARD THAN BOON TEONG	Passport No. A24320788 valid until 10 May 2016

WITNESS MY HAND AND SEAL, on the date and at the place above written.

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Series of 2015

ATTY. JUAN S. SINDINGAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
PTR NO. 4192226/JAN. 5, 2015
IBP NO. 977955/PASAY CITY
TIN: 235-724-293-000
ROLL NO. 24566

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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Newport Boulevard, Newport Cybertourism Economic Zone
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Travellers International Hotel Group, Inc. and subsidiaries for the year ended December 31, 2014, on which we have rendered our report dated February 27, 2015. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4748313, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Mar. 31, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 27, 2015

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
Schedule of Financial Indicators for December 31, 2014 and 2013
As required under SRC Rule 68, as amended
For the Years Ended December 31, 2014 and 2013
(Amounts in Philippine Pesos)

	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
I. Current/liquidity ratios				
a. Current Ratio				
Total Current Assets	P 23,078,934,125	P 29,471,695,215	2.26	2.84
Total Current Liabilities	10,218,818,966	10,382,737,639		
b. Quick Ratio				
[Cash and Cash Equivalents + Investment in Time Deposits (presented under Prepayments and Other Current Assets) + Trade and Other Receivables]	22,135,126,026	28,930,224,086	2.17	2.79
Total Current Liabilities	10,218,818,966	10,382,737,639		
II. Solvency ratios				
a. Solvency Ratio				
Earnings Before Interest and Taxes	6,468,025,572	4,032,613,355	0.26	0.15
Total Liabilities	24,780,163,419	27,797,891,304		
b. Debt Ratio				
Total Liabilities	24,780,163,419	27,797,891,304	0.39	0.45
Total Assets	63,881,472,790	61,225,735,552		
c. Debt-to-Equity Ratio				
Total Liabilities	24,780,163,419	27,797,891,304	0.64	0.83
Total Equity	38,865,356,943	33,427,844,248		
III. Asset-to-equity ratio				
Total Assets	63,881,472,790	61,225,735,552	1.64	1.83
Total Equity	38,865,356,943	33,427,844,248		
IV. Interest Coverage Ratio				
(Earnings Before Interest and Taxes)	6,468,025,572	4,032,613,355	6.83	3.29
Interest Expense	947,384,181	1,226,431,676		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	5,445,073,229	2,739,516,493	0.19	0.09
Net Revenues*	29,060,299,622	30,848,028,933		
b. Gross Profit Margin				
Gross Profit	18,305,129,983	18,740,309,429	0.63	0.61
Net Revenues*	29,060,299,622	30,848,028,933		
c. Return on Equity				
Net profit	5,445,073,229	2,739,516,493	0.15	0.10
Average Equity	36,146,600,595	27,332,324,508		
d. Return on Assets				
Net Profit	5,445,073,229	2,739,516,493	0.09	0.05
Average Total Assets	62,553,604,171	54,596,258,436		
e. Price/Earnings Ratio				
Price per Share	6.98	9.47	19.94	30.55
Earnings per Share	0.35	0.31		
VI. Debt Service Coverage Ratio				
a. Debt Service Coverage Ratio				
Earnings Before Interest,Taxes, Depreciation and Allowances	7,914,099,547	6,717,656,365	1.40	1.65
Total Debt Service**	5,640,626,924	4,083,506,843		

	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013

* *Revenues after deducting promotional allowance.*

** *Sum of Principal repayments and Interest expense during the year*

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A - Financial Assets
December 31, 2014
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
		Not Applicable		
AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Equity Securities				
Manila Golf and Country Club, Inc. (Lifetime Membership)	One (1)	P 37,000,000	P 37,000,000	(P 1,000,000)
Manila Southwoods Golf Club Class "A" Shares	Six (6)	2,400,000	2,400,000	120,000
Sherwood Hills Golf Shares Class "C"	Three (3)	660,000	660,000	60,000
Sta. Elena Golf Club Shares Class "A"	Two (2)	6,000,000	6,000,000	-
Alphaland Marina Club	One (1)	1,500,000	1,500,000	-
Manila Yatch Club	Two (2)	400,000	400,000	(1,100,000)
Wack Wack Golf and Country Club	One (1)	15,200,000	15,200,000	(1,300,000)
		63,160,000	63,160,000	(3,220,000)
HELD-TO-MATURITY INVESTMENTS				
		Not Applicable		
GRAND TOTAL		**P 63,160,000**	**P 63,160,000**	**(P 3,220,000)**

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2014

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties							
Officers and employees	P 121,738,390	P 882,203,750	P **902,465,441**	P -	P 101,476,698	P -	P 101,476,698
Andersons Global, Inc.	27,105,760	-	-	-	27,105,760	-	27,105,760
Genting Hong Kong Limited	6,650,171	732,601	925,215	-	6,457,557	-	6,457,557
Megaworld Corporation	3,122,766	-	-	-	3,122,766	-	3,122,766
Entertainment City Estate Management, Inc.	1,250,000	-	-	-	1,250,000	-	1,250,000
Manila Bayshore Heritage Foundation Inc	855,167	19,621,633	11,200	-	20,465,600	-	20,465,600
TOTAL	P 160,722,254	P 902,557,983	P 903,401,856	P -	P 159,878,381	P -	P 159,878,381

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from or Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2014

(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties Eliminated During Consolidation:							
APEC Assets Limited	P 1,292,776,013	P 543,394,123	P 984,988,064	P -	P 851,182,072	P -	P 851,182,072
BrightLeisure Management, Inc.	6,708,782	342,783,277	319,036,236	-	30,455,824	-	30,455,824
Deluxe Hotels and Recreation, Inc.	11,707,514	719,604,682	337,279,494	-	394,032,702	-	394,032,702
Entertainment City Integrated Resorts & Leisure, Inc.	1,750	583,159	287,694	-	297,215	-	297,215
Grand Integrated Hotels and Recreation, Inc.	11,873,812	16,281,580	2,133,367	-	26,022,026	-	26,022,026
Lucky Star Hotels and Recreation, Inc.	11,017,356	638,538,337	269,687,094	-	379,868,598	-	379,868,598
Majestic Sunrise Leisure & Recreation, Inc.	10,491,530	585,027	287,694	-	10,788,863	-	10,788,863
Net Deals, Inc.	8,746,491	889,946	703,579	-	8,932,857	-	8,932,857
Royal Bayshore Hotels & Amusement, Inc.	2,160,700	583,872	287,594	-	2,456,978	-	2,456,978
FHTC Entertainment and Productions, Inc.	-	43,976,476	23,431,643	-	20,544,833	-	20,544,833
Resorts World Bayshore City Inc	-	3,829,993	-	-	3,829,993	-	3,829,993
Newport Star Lifestyle, Inc.	-	14,062,034	13,588,610	-	473,423	-	473,423
							-
	P 1,355,483,948	**P 2,325,112,506**	**P 1,951,711,070**	**P -**	**P 1,728,885,384**	**P -**	**P 1,728,885,384**
							-
							-
Amounts Payable to Related Parties Eliminated During Consolidation							-
GrandServices, Inc.	P 11,536,800	P 1,011,053	P 2,729,803	P -	P 9,818,050	P -	**P 9,818,050**
Newport Star Lifestyle, Inc.	135,322	-	135,322	-	-	-	**-**
GrandVenture Management Services, Inc.	56,805,377	1,356,497,690	1,396,306,153	-	16,996,913	-	**16,996,913**
	P 68,477,499	**P 1,357,508,743**	**P 1,399,171,278**	**P -**	**P 26,814,963**	**P -**	**P 26,814,963**

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule D - Intangible/Other Assets
December 31, 2014
(Amounts in Philippine Pesos)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Leasehold Right	P -	P 1,000,000,000	p -	p -	p -	P 1,000,000,000

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule E - Long-term Debt

December 31, 2014

(Amounts in Philipine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-term Debt" in related Statement of Financial Condition
Singapore Exchange Securities Trading Limited, Notes Payable	P 13,385,100,000	P -	P 13,209,060,653
BDO Unibank, Inc., Loans Payable	11,000,000,000	-	216,923,061
TOTAL	**P 24,385,100,000**	P **-**	**P 13,425,983,714**

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule F - Indebtedness to Related Parties (Current Liabilities)

December 31, 2014

(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Year	Balance at End of Year	Purpose
Manila Bayshore Property Holdings, Inc.	P -	P 1,673,995,439	Advances
Star Cruises Limited	157,265,781	234,613,917	Purchase of services
Genting Star	2,436,844	1,822,383	Purchase of services
Macau Crockfords	1,432,033	1,432,033	Purchase of services
Resorts World Sentosa	830,585	1,393,087	Purchase of services
HongKong Server	4,060	4,060	Purchase of services
TOTAL	**P 161,969,303**	**P 1,913,260,919**	

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule G - Guarantees of Securities of Other Issuers

December 31, 2014

(Amounts in Philipine Pesos)

Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which This Statement is Filed	Nature of Guarantee

Not Applicable

The Group does not have any guarantee as at December 31, 2014

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H - Capital Stock
December 31, 2014
(Amounts in Philippine Pesos)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares	25,000,000,000	15,755,874,850	-	14,174,909,950	123,100	1,580,841,800
Preferred shares (A)	73,000,000,000	-	-	-	-	-
Preferred shares (B)	20,000,000,000	10,000,000,000	-	10,000,000,000	-	-

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities **	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities **	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative * *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions * *(effective July 1, 2014)*	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception **	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction **	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies **	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Company.

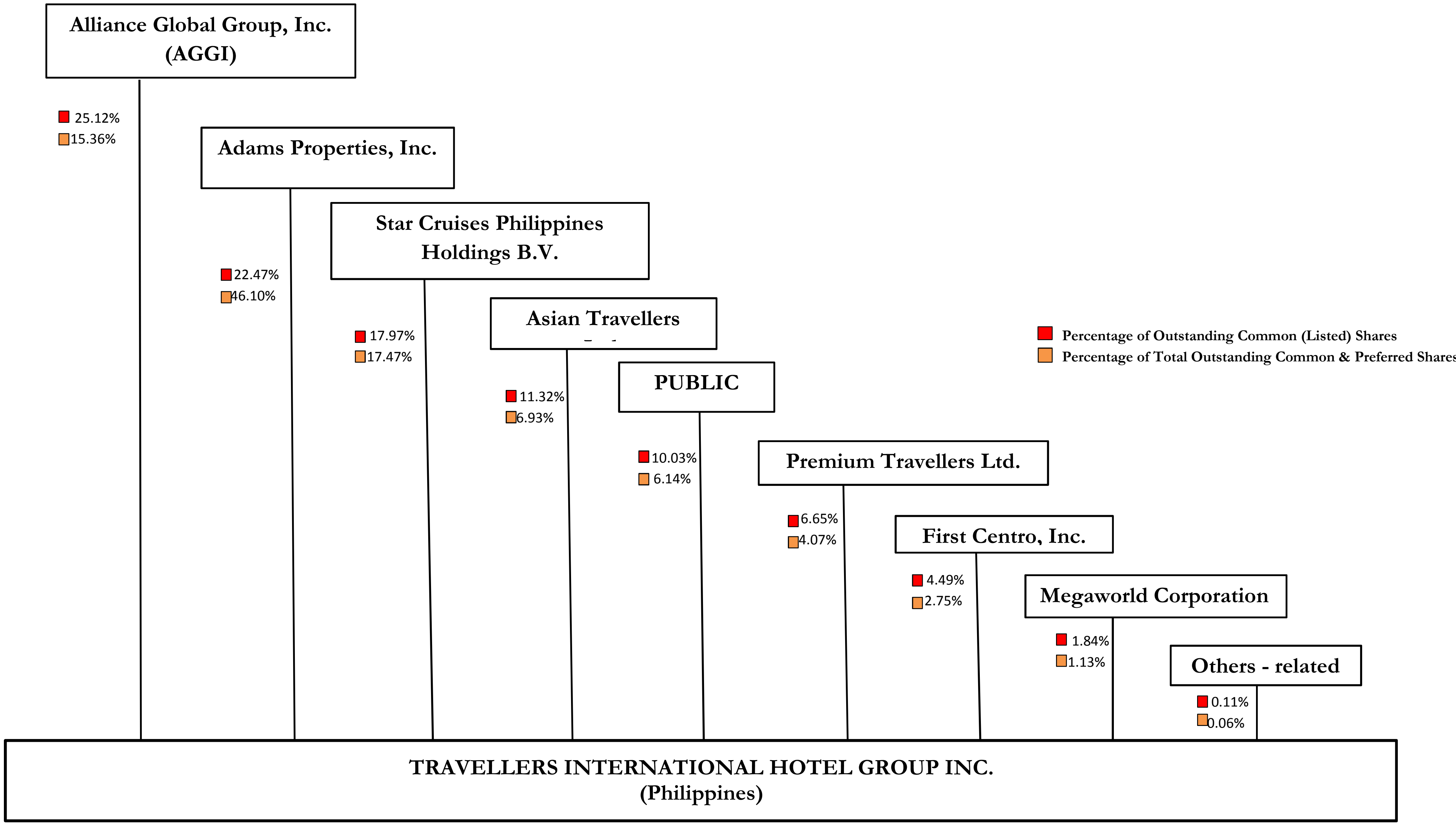
** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.
(A Subsidiary of Alliance Global Group, Inc.)
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2014

10/F Newport Entertainment & Commercial Centre, Newport Boulevard, Newport Cybertourism Economic Zone, Pasay City

Unappropriated Retained Earnings Available for Dividend Declaration, beginning		P 9,290,647,737
Net income actually earned/realized during the year		
Net income during the year	5,740,864,702	
Deferred tax income from minimum corporate income tax paid on gaming operations	(145,859,575)	5,595,005,127
Other transactions during the year:		
Treasury shares, at cost		(8,324,412,515)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, END		**P 6,561,240,349**

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.
Map Showing the Relationship Between the Company and Its Related Parties
December 31, 2014



TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.
Map Showing Relationship between the Company and Its Related Parties
December 31, 2014